PRESS RELEASE

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Millennium bcp

28 February 2021

Millennium bcp Earnings release as at 31 December 2021

Profitability
Resilience of the business model; core income increase; operating costs decrease

- **Net income** of the **Group** of **138.1 million euros** in 2021, influenced by 532.6* million euros of costs associated with loans in Swiss francs granted by the subsidiary in Poland, by specific items of 90.7 million euros (mainly related to headcount adjustment costs) in Portugal and by 56.2 million euros of mandatory contributions for the banking sector in Portugal. Excluding the costs associated with loans granted in Swiss francs, **net income** of the **Group** reached **404.9 million euros** (**+56.6%**, from 2020).

- **Net income** of **172.8 million euros** in **Portugal** (**+28.5%** from 2020).

- **Core operating profit**, excluding specific items, of **1,291.4 million euros**, corresponding to a **growth** of **10.9%**.

Capital and Liquidity
Capital at adequate levels; reinforced liquidity position

- Estimated **Fully-implemented Total capital ratio** and **Core Equity Tier 1 ratio** at **15.8%** and **11.7%**, respectively, above regulatory requirements.

- **High liquidity levels**, comfortably above regulatory requirements. Eligible assets for ECB funding of 25.5 billion euros.

Business performance and Credit quality
Strong dynamics of growth in customer resources; continued expansion of the loan portfolio; general improvement in credit quality indicators and comfortable coverage levels

- **Performing loans** of the **Group up** by **3.1 billion euros**, **+5.9%** from December 2020 (**+1.9 billion euros** in **Portugal**, **+5.2%**). **NPE reduction** of **0.5 billion euros**, even in adverse context. **Total customer funds** of the Group **up** by **7.8 billion euros**. **Off- balance sheet customer funds** of the Group **up** by **4.1%**, to **18.9 million euros**.

- **Cost of risk** of **60 bp** for the **Group** and of **69 bp** in **Portugal**.

- **Growing Customer base**; **+571,000 mobile Customers** (**+20%**).

* Net of tax and before minority interests; includes provisions for legal risks, costs with out-of-court settlements and legal advice.

Note: change in loans to customers and customer funds on a proforma basis (excludes, in 2020, the amounts from disposed operations).

BANCO COMERCIAL PORTUGUÊS, S.A.,
a public company (Sociedade Aberta),
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FINANCIAL HIGHLIGHTS (1)

Euro million

	31 Dec. 21	31 Dec. 20	Change 21/20
BALANCE SHEET			
Total assets	92,905	85,715	8.4%
Equity	7,062	7,386	-4.4%
Loans to customers (net)	56,360	53,975	4.4%
Total customer funds	90,097	84,492	6.6%
Balance sheet customer funds	71,175	64,764	9.9%
Deposits and other resources from customers	69,560	63,259	10.0%
Loans to customers (net) / Deposits and other resources from customers (2)	81.0%	85.3%	
Loans to customers (net) / Balance sheet customer funds	79.2%	83.3%	
RESULTS			
Net interest income	1,588.6	1,531.7	3.7%
Net operating revenues	2,334.4	2,256.7	3.4%
Operating costs	1,115.6	1,090.4	2.3%
Operating costs excluding specific items (3)	1,024.9	1,043.9	-1.8%
Loan impairment charges (net of recoveries)	348.9	509.9	-31.6%
Other impairment and provisions	712.2	331.5	114.8%
Income taxes	203.6	132.1	54.2%
Net income	138.1	183.0	-24.6%
PROFITABILITY AND EFFICIENCY			
Net operating revenues / Average net assets (2)	2.6%	2.7%	
Return on average assets (ROA)	0.0%	0.2%	
Income before tax and non-controlling interests / Average net assets (2)	0.3%	0.4%	
Return on average equity (ROE)	2.4%	3.1%	
Income before tax and non-controlling interests / Average equity (2)	3.3%	4.8%	
Net interest margin	1.93%	2.00%	
Cost to core income (2) (3)	44.2%	47.3%	
Cost to income (2)	47.8%	48.3%	
Cost to income (2) (3)	43.9%	46.3%	
Cost to income (Activity in Portugal) (2) (3)	42.6%	46.2%	
Staff costs / Net operating revenues (2) (3)	24.1%	25.9%	
CREDIT QUALITY			
Cost of risk (net of recoveries, in b.p.)	60	92	
Non-Performing Exposures / Loans to customers	4.7%	5.9%	
Total impairment (balance sheet) / NPE	68.0%	62.9%	
Restructured loans / Loans to customers	4.4%	4.7%	
LIQUIDITY			
Liquidity Coverage Ratio (LCR)	269%	230%	
Net Stable Funding Ratio (NSFR)	150%	140%	
CAPITAL (4)			
Common equity tier I phased-in ratio	11.7%	12.2%	
Common equity tier I fully implemented ratio	11.7%	12.2%	
Total fully implemented ratio	15.8%	15.6%	
BRANCHES			
Activity in Portugal	434	478	-9.2%
International activity	854	902	-5.3%
EMPLOYEES			
Activity in Portugal	6,289	7,013	-10.3%
International activity (5)	9,579	10,322	-7.2%

Notes:

(1) Some indicators are presented according to management criteria of the Group, with concepts being described and detailed at the glossary. Following the sale of the entire share capital of Banque Privée BCP (Suisse) SA to Union Bancaire Privée, UBP SA and the sale of 70% of the investment held in Seguradora Internacional de Moçambique, S.A. ("SIM"), through its subsidiary BIM - Banco Internacional de Moçambique S.A., the contribution of these subsidiaries to the consolidated results of the Group, till the date of disposal, is reflected as income from discontinued operations in the international activity and the historical information has been restated in order to ensure its comparability, as defined in the IFRS 5. The accounting of assets and liabilities of Banque Privée BCP (Suisse) S.A. and of SIM was not changed compared to the criteria considered in the financial statements published in previous periods. In this context and taking into account the immateriality of the balance sheet balances of these operations in the Group, the calculation of the indicators relating the performance of the profit and loss account to the balance sheet items was not adjusted, with the exception of net interest margin, that reflects the fact that the assets of that subsidiary were no longer considered interest earning assets in the current period or in historical information. The gains obtained with the disposal of both operations are also recognised as discontinued operations in the international activity.
(2) According to Instruction from the Bank of Portugal no. 16/2004, as the currently existing version.
(3) Excludes specific items: negative impact of 90.7 million euros in 2021, fully recognized as staff costs in the activity in Portugal, mainly related with a provision booked to cover the costs related to the current adjustment of headcount, identified under the Mobilising 2018/2021 strategic plan, in the amount of 84.2 million euros. In 2020, the impact was also negative, in the amount of 46.5 million euros, of which 31.6 million euros recognized as staff costs in the activity in Portugal (related to headcount adjustment costs, compensation cost for temporary salary cuts of employees and income arising from the agreement with a former director of the Bank), and 14.8 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary (9.3 million euros as staff costs, 5.0 million euros as other administrative costs and 0.5 million euros as depreciation). In the efficiency indicators, the specific items included in the net operating revenues in 2020, in the amount of 0.2 million euros, related to costs with the acquisition, merger and integration of Euro Bank S.A., recognized in the Polish subsidiary are also not considered.
(4) As at 31 December 2021 and 31 December 2020, capital ratios include the positive cumulative net income of each period. Ratios as of 31 December 2021 are estimated and non-audited.
(5) Of which, in Poland: 7,079 employees as at 31 December 2021 (corresponding to 6,942 FTE - Full-time equivalent) and 7,645 employees as at 31 December 2020 (corresponding to 7,493 FTE - Full-time equivalent).

RESULTS AND ACTIVITY IN 2021

In 2021, Millennium bcp continued to demonstrate the resilience of its business model and its capacity for adaptation to a context strongly influenced by the evolution of the pandemic crisis. The Bank continued to support companies and families, trying to meet Customers' needs in every moment. In this sense, it is important to highlight the relevance of the total amount of credit granted by the Bank, under the COVID-19 lines guaranteed by the Portuguese State, and also the agreements established with the European Investment Fund. At the end of the third quarter, the Bank launched an issue of social senior preferred debt securities under its Euro Note Programme, being the first Portuguese entity to issue this type of securities in the ESG (Environmental, Social and Governance) segment, focusing on the social component. This issue represented a clear demonstration of the commitment assumed by Millennium bcp in supporting the economy, in particular in financing the micro and, small and medium-sized companies most affected by the recent pandemic context, showing at the same time the recognition of the commitments of Millennium bcp in terms of sustainable financing.

At the same time the Bank maintains its focus on constant technological innovation which together with the recovery of the economic activity in the last year, allowed the implementation of the headcount adjustment, initially planned for 2020, under the Mobilising 2018/2021 strategic plan, but postponed due to the pandemic associated with COVID-19. On the other hand, the strengthening of the digital capabilities of the Bank, is increasingly valued by customers, as we can see by the continued growth of the customer base of the Bank, with special emphasis on mobile Customers, as well as external recognition, materialized in the multiple awards and distinctions that the Bank has received, and which also reflect its commitment to people and the Society.

On 29 June 2021, Banco Comercial Português, S.A. entered into an agreement with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) SA ("Banque Privée"). On 2 November 2021, further to the non-opposition by the competent local supervisory authorities and the satisfaction of the remaining relevant conditions, the sale has been completed. The final price is still subject to adjustments arising from the evolution of assets under management and the activity of Banque Privée BCP (Suisse) SA. The sale of Banque Privée allows BCP Group to pursue its strategy of focusing resources and management on core geographies, enhancing their development and thus creating value for stakeholders.

As at 31 December 2021, BIM – Banco Internacional de Moçambique, SA (a bank incorporated under Mozambican law in which BCP indirectly holds a stake of 66.69%) ("BIM") formalized the entry into force of a long-term agreement with Fidelidade – Companhia de Seguros, SA ("Fidelidade"), with a view to strengthening capabilities and expanding the offer of insurance through the banking channel (bancassurance) in Mozambique. Under this partnership, the possibility of which was provided for in the memorandum of understanding signed between BCP and the Fosun Group in November 2016, BIM and Fidelidade also formalized the sale by BIM to Fidelidade of shares representing 70% of the share capital and voting rights of Seguradora Internacional de Moçambique, S.A. ("SIM"), with BIM maintaining approximately 22% of its share capital. BIM and Fidelidade also agreed call and put options with a view to enabling Fidelidade to acquire additional shares, and BIM's shareholding, as a result of these options, may be reduced to 9.9% of SIM's capital. Under the long-term exclusive distribution agreement, BIM will promote the distribution of SIM insurance through the banking channel, continuing to provide its customers with a wide range of competitive insurance products, which is reinforced by the partnership with Fidelidade, an Insurance Group of reference.

Following the disposals abovementioned and as defined in IFRS 5, the contribution of the Swiss subsidiary and of SIM to the consolidated results of the Group is reflected as income from discontinued operations in the international activity and the historical information has been restated since January 2020, in order to ensure its comparability. The accounting of assets and liabilities of Banque Privée BCP (Suisse) S.A. and of SIM was not changed compared to the criteria considered in the financial statements published in previous periods. In this context and taking into account the immateriality of the respective balance sheet balances in the Group, the calculation of the indicators relating the performance of the profit and loss account to the balance sheet items were not adjusted, with the exception of net interest margin, that reflects the fact that the assets of those subsidiaries were no longer considered interest earning assets in the current period or in historical information. The gains obtained with the disposal of both operations are also recognised under income arising from discontinued operations in the international activity.

During the first half of 2021, the Group changed the presentation of provisions booked by Bank Millennium for foreign exchange mortgage legal risk, that were previously recorded in liabilities in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", starting to recognize them as a reduction of the gross carrying amount of loans for which a decrease in future cash flows is expected according to IFRS 9 “Financial Instruments”. In this sense, the Group restated the financial information previously published for all periods beginning on 1 January 2020, reducing both the book value of the loan portfolio and other provisions presented under liabilities, compared to the financial position previously disclosed by the Group. Provisions according to the framework provided for in IAS 37 will be applied only regarding disputes related to already repaid receivables not included in the balance sheet of the Group. In addition, Bank Millennium changed the presentation of interest on derivatives not covered by formal hedge accounting in accordance with IFRS 9. Bearing in mind that these instruments, although they are included in the trading book, are mainly settled in order to establish economic hedging against the risk of other financial assets or liabilities, the Polish subsidiary, from the first half of 2021, presents the interest as part of the net interest income, previously recorded as net trading income. In this sense, the financial statements of the Group published in previous periods were restated from 1 January 2020, in order to ensure the comparability of the information.

RESULTS

The consolidated **net income** of Millennium bcp amounted to 138.1 million euros in 2021, below the 183.0 million euros achieved in the previous year, since the favourable evolution of the activity in Portugal was not sufficient to offset the lower results of the international activity.

Net income of the Group was strongly penalized by the increase of costs associated with foreign exchange mortgage loans portfolio recognized by Bank Millennium, S.A. in Poland, whose impact, in consolidated terms, was 266.9[1] million euros in 2021, more than tripling the 75.6[1] million euros posted in the previous year. Excluding this impact, in both years, net income of the Group would have grown 56.6%, from 258.6 million euros in 2020, to 404.9 million euros in 2021.

In 2021, costs associated with foreign exchange mortgage loans portfolio, in the amount of 532.6[2] million euros (150.9[2] million euros in 2020) materialised mainly in the recognition of additional provisions for the legal risk implicit in that portfolio. In addition, costs associated with foreign exchange mortgage loans portfolio also include the costs of the agreements concluded by the Polish subsidiary with its customers, in order to convert the credits to local currency or their early repayment (total or partially), mainly recognised as net trading income, legal advice costs and the costs of disputes filed by the Bank against its customers. The evolution of the net income of the Group is also influenced by the recognition of an extraordinary provision in staff costs in the activity in Portugal, in the amount of 84.2 million euros, to cover the headcount adjustment costs.

[1] Net of tax and after minority interests.
[2] Net of tax and before minority interests.

Conversely, it is important to highlight the reduction in loans impairment in both the activity in Portugal and the international activity, in both cases influenced by the impact of the extraordinary impairments that had been booked in 2020 to address the risks associated with the COVID-19 pandemic. It is also worth mentioning the growth of core income that was similarly felt both in the activity in Portugal and in the international activity, in both cases benefiting from the evolution of both net interest income and net commissions. Other net operating income also showed an improvement, being less negative than in the previous year.

The performance of net income of the Group was also influenced by the results of discontinued operations, which increased from 15.5[3] million euros in 2020, to 70.9[3] million euros in 2021, reflecting the positive impacts arising from the sale, in the last quarter of 2021, of the entire share capital of Banque Privée BCP (Suisse) S.A., and of 70% of the group's stake in SIM.

In the activity in Portugal, net income amounted to 172.8 million euros in 2021, showing a 28.5% growth from the 134.5 million euros achieved in the previous year, boosted by the favourable evolution of most of the items. It is worth mentioning, on the one hand, the growth of core income, as a result of the positive performance evidenced both by net interest income and by net commissions and on the other, the significant reduction in the provisioning needs of the loans portfolio compared to the previous year.

Conversely, the evolution of the net income of the activity in Portugal was penalized by the increase in other impairments and provisions and in operating costs, the performance of which was determined by the recognition of a provision, in the amount of 84.2 million euros, recognized as staff costs, to cover the costs of headcount adjustment plan, that under the Mobilising 2018/2021 strategic plan was foreseen for 2020, but was postponed due to the emergence of the pandemic associated with COVID-19.

In the international activity, net income totaled a negative amount of 34.7 million euros in 2021, showing a significative decrease from the 48.5 million euros profit achieved in 2020, mainly determined by the Polish subsidiary, whose performance was strongly penalized by the increase of costs associated with foreign exchange mortgage loans (532.6[2] million euros in 2021 and 150.9[2] million euros in 2020). Despite the impacts in multiple lines of the profit and loss account of the international activity, this increase was particularly visible in the reinforcement of impairments and provisions for legal risk associated with the mortgage loans granted in foreign exchange. Net trading income was also largely penalized since it incorporates relevant amounts of foreign exchange losses following agreements with customers aiming to convert credits to local currency or their total or partial early repayment. Excluding all these impacts in both financial years, international activity would show profits of 232.1 million euros in 2021, a significant growth compared to 124.1 million euros achieved in 2020.

Although the contribution of the Polish subsidiary was decisive in the decline in net income of the international activity, the lower appropriation of the results generated by Banco Millennium Atlântico compared to the previous year, also influenced the performance of operations abroad, despite in a smaller dimension. Conversely, the contribution of the operation in Mozambique to the result of the international activity was higher than that verified in 2020, due not only to the positive performance of the current activity of the subsidiary, but also to the recognition of the gain generated by the sale of 70% of the stake held in SIM, at the end of 2021.

[3] In 2021, includes the net income of the Swiss operation (1.2 million euros) and of SIM (6.8 million euros) until the date of the respective disposals, as well as the gains obtained (51.1 million euros and 11.8 million euros, respectively). In 2020, includes the net income of the Swiss operation (7.1 million euros) and of SIM (8.4 million euros) restated in order to ensure the comparability of the information.

In addition, net income of the international activity also benefited from the gain, of 51.1 million euros, generated following the conclusion of the agreement to sell the entire share capital of Banque Privée BCP (Suisse) S.A., to Union Bancaire Privée, UBP SA. It should be noted that the gain obtained from the sale of the operation is recognized as income arising from discontinued operations, together with the results generated by the current activity of that entity, either in 2021 or in 2020, whose historical information was restated, in order to ensure its comparability. Considering the costs assumed by the subsidiary related to the sale, the impact in income arising from discontinued operations was approximately 47 million euros.

Consolidated **core operating profit** of Millennium bcp in 2021, despite being influenced by the recognition of the aforementioned extraordinary provision as staff costs in the activity in Portugal, in the amount of 84.2 million euros, to cover the costs of the headcount adjustment plan, increased by 7.4% compared to 1,117.8 million euros in the previous year, reaching 1,200.7 million euros in 2021. Excluding this provision, considered as a specific item, and also excluding the remaining specific items[4] in both periods, core operating profit of the Group increased 10.9% compared to 2020. For this evolution, the growth of core income was decisive, which occurred both in the activity in Portugal and in the international activity.

It is important to note that, despite the recognition of this provision, being considered as a specific item, the core operating profit of the activity in Portugal was, as well, 2.5% above the 636.6 million euros reached in 2020, amounting to 652.8 million euros at the end of 2021. Excluding the impact of specific items[4], in both years, the core operating profit of the activity in Portugal shows an increase of 11.3%, from 668.2 million euros in 2020, to 743.5 million euros in 2021.

Core operating profit of the international activity, in turn, grew by 13.9%, from 481.2 million euros in 2020, to 547.9 million euros in 2021, to which the Polish subsidiary mainly contributed, along with the operation in Mozambique.

Net interest income reached 1,588.6 million euros in 2021, standing 3.7% above the 1,531.7 million euros posted in the previous year, boosted by the performance of both the activity in Portugal and the international activity.

In the activity in Portugal, net interest income was 3.2% higher than the 805.4 million euros recorded in 2020, amounting to 831.3 million euros at the end of 2021. This performance was mainly due to the significant reduction in the cost of funding during 2021, determined by the positive impact from the additional funding obtained from the European Central Bank, through the participation in the new targeted longer-term refinancing operation (TLTRO III). Thus, the decision of the Bank to increase its participation in the aforementioned operation, first to 7,550 million euros in June 2020 and then to 8,150 million euros in March 2021, together with a remuneration based in a more favorable negative interest rate, to incentivize lending to the economy, allowed a reduction in the cost of funding compared to the amount recognized in 2020. It should be noted that these gains were partly offset by the costs incurred by the Bank with the excess liquidity deposited with Banco de Portugal. Additionally, the evolution of cost of funding, in the activity in Portugal, also benefited from the lower cost with customer funds, mainly reflecting the reduction in the remuneration of the time deposit portfolio, despite the fact that there was a decrease in the average balance of remunerated deposits from customers compared to 2020. At the same time, costs incurred with

[4] Net income includes the negative impact of 90.7 million euros in 2021 and of 46.5 million euros in 2020, both before taxes, recognized as staff costs. In 2021, specific items were fully recognized as staff costs in the activity in Portugal, mainly related to the recognition of a provision, in the amount of 84.2 million euros to cover the costs related to the adjustment of headcount. In 2020, from the total amount of 46.5 million euros considered as specific items, 31.6 million euros were recognized as staff costs in the activity in Portugal (related to headcount adjustment costs, compensation cost for temporary salary cuts of employees and income arising from the agreement with a former director of the Bank), and 14.8 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary (9.3 million euros as staff costs, 5.0 million euros as other administrative costs and 0.5 million euros as depreciation). Net income also includes specific items, in the amount of 0.2 million euros included in the net operating revenues, related to costs with the acquisition, merger and integration of Euro Bank S.A., recognized in the Polish subsidiary in 2020.

subordinated debt issue, in the activity in Portugal, were also lower than those recorded in 2020, reflecting the maturity of some debt issues during last year and the lower level of funding for the issue carried out in November.

On the other hand, the performance of net interest income, in the activity in Portugal, was influenced by the reduction in income from assets, namely by the lower income from customers' loan portfolio and by the securities portfolio. The historically low rates during last year, continued to strongly influence the income generated by the performing loan portfolio, that in 2021 was lower than that recorded in the same period of the previous year, namely in loans to households (both in personnel and mortgage loans). The income generated from loans granted to companies was slightly above that in 2020. The favourable performance of income generated from loans granted to companies was possible thanks to the increase in the volume of loans, to which largely contributed loans granted to companies under the credit lines guaranteed by the Portuguese State, following the pandemic caused by COVID-19. The reduction of NPE, in turn, contributed negatively to the evolution of net interest income in the activity in Portugal, as well as the lower gains generated by the securities portfolio, mainly due to the performance of the sovereign Portuguese debt.

Although with less significant impact, the higher costs incurred with the debt issued and the lower income from the net application of liquidity surpluses in credit institutions also negatively influenced the evolution of net interest income in the activity in Portugal. It should be noted that the increase in costs incurred by the debt issued resulted, on the one hand, from the execution of a senior preferred issue in the amount of 500 million euros in the first quarter of the year, in order to benefit from the prevailing market conditions, and on the other hand, from a new issue of preferred senior social debt representative securities, also in the amount of 500 million euros, placed under the Bank's Euro Note Programme at the end of the third quarter of 2021, both issues qualifying for the requirements known as "MREL" (Minimum Requirements for Own Funds and Eligible Liabilities).

In the international activity, net interest income amounted to 757.3 million euros in 2021, standing 4.3% above the 726.3 million euros recorded in the previous year, reflecting the performance of both the Polish subsidiary and the Mozambican subsidiary.

In the Polish subsidiary, net interest income, which had been heavily penalised by the successive cuts in the reference interest rates imposed by the Polish Central Bank, benefited in the last months of 2021 from the reversal of this trend, which together with the increase in the volumes of the customers loan portfolio contributed decisively to the higher net interest income of the Polish subsidiary compared to the amount posted in 2020. On the other hand, the favorable performance of net interest income in the Mozambican operation is justified mainly by the increase in the volume of the public debt portfolio, but also by higher implied yields and lower costs incurred with customer funds.

Net interest margin of the Group was set at 1.93% in 2021, standing slightly below the 2.00% in the previous year, mainly reflecting the performance of the activity in Portugal, since in the international activity the net interest margin increased compared to the previous year.

In the activity in Portugal, net interest margin went from 1.56% in 2020, to 1.44% in 2021, influenced on one hand, by the increase in balance sheet volumes, namely by the increased weight of the liquidity buffer and on the other hand by the negative interest rates context. Additionally, the greater weight of products with lower rates in loans production in the pandemic context as well as the lower interest income related to the reduction of the NPE portfolio also contributed to the decrease, although slight, in net interest margin in the activity in Portugal. Net interest margin in the international activity, in turn, despite being pressured by the impact of the sharp reduction in interest rates in Poland, showed a slight increase, from 2.95% in 2020 to 3.09% in 2021, reflecting the reversal of the trend of evolution of the reference interest rates set by the Polish Central Bank. that started the rate increase in the last quarter.

Equity accounted earnings together with **dividends from equity instruments**, which comprise dividends received from investments classified as financial assets at fair value through other comprehensive income and as financial assets held for trading, totaled 57.9 million euros in 2021, below the 72.5 million euros recorded in the previous year reflecting both the performance of the activity in Portugal and mainly the international activity.

In the activity in Portugal, equity accounted earnings together with dividends from equity instruments went from 62.2 million euros in 2020, to 58.4 million euros in 2021, reflecting the performance of dividends from equity instruments, since they proved to be immaterial in 2021 compared to the 3.9 million euros posted in the previous year. Equity accounted earnings, in turn, although in line with the amount calculated in 2020, included distinct dynamics in its evolution with the increase in income generated by the participation in SIBS in 2021 being almost entirely offset by the lower contribution generated by Millenniumbcp Ageas, largely justified by the extraordinary positive impact, resulting from the assessment of local insurance contract liabilities based on assumptions consistent with those used by the parent company in 2020. In turn, despite a smaller size, the increase in income generated by the participation in Banque BCP (France) was largely offset by the decreased income generated by Unicre.

In the international activity, equity accounted earnings together with dividends from equity instruments went from a positive amount of 10.2 million euros posted in 2020, to a residual negative amount in 2021, influenced on one hand by the extraordinary income that had been recognized in 2020 in equity accounted earnings and on the other hand by the lower appropriation of results generated by Banco Millennium Atlântico in Angola, strongly influenced by the impacts of the economic situation of the country.

Net commissions[5] showed a 7.6% growth from the 676.6 million euros recorded in 2020, totaling 727.7 million euros at the end of 2021. This evolution mainly reflects the progressive normalization of economic activity, but also the extinction of customer support measures that had been implemented by the Bank in Portugal during the most critical periods of the pandemic. Net commissions, as a whole, showed a favorable performance both in the activity in Portugal and in the international activity. In both cases, banking commissions were higher than in the previous year, with the growth of market related commissions in the activity in Portugal being marginally offset by the lower contribution of the international activity.

In the activity in Portugal, net commissions increased 6.8% from the 481.5 million euros recorded in 2020, amounting to 514.3 million euros at the end of the current year. This evolution reflects the performance of both commissions related to the banking business, which increased by 6.5%, and commissions related to financial markets, which were 8.4% above the amount recorded in 2020.

Commissions related to the banking business, in the activity in Portugal, reached 432.1 million euros in 2021, showing a 26.5 million euros increase from the 405.7 million euros posted in the previous year, mainly due to the performance of transfers commissions, as the level of transactions has gradually approached to a similar level to that observed before the outbreak of the pandemic. At the same time, the performance of banking commissions in

[5] During 2021, some commissions were reclassified, in order to improve the quality of the information reported. The historical amounts of 2020 of such items are presented considering these reclassifications with the purpose of ensuring their comparability. Except for the impacts produced by the classification of entities as discontinued operations, under the sale contracts concluded in 2021, as required by IFRS 5, the total amount of net commissions disclosed in previous periods remains unchanged compared to those published in previous periods.

the activity in Portugal benefited from the growth of management and maintenance of accounts commissions, credit and guarantees commissions and also bancassurance commissions which showed a slightly increase from the previous year. On the other hand, commissions directly related to cards stood below the amount posted in the previous year.

Market related commissions in the activity in Portugal, in turn, went from 75.8 million euros in 2020, to 82.2 million euros at the end of 2021. This growth was due to the performance of the commissions associated with the management and distribution of assets, mainly due to the activity of distribution of third-party investment funds, but also to the growth of portfolio management fees. Conversely, commissions associated with securities were lower than the amount reached in the previous year, penalized mainly by the minor gains generated by the structure and assembly of operations, despite the growth evidenced by the commissions associated with stock exchange operations.

In the international activity, net commissions showed a 9.4% growth compared to the 195.0 million euros posted in 2020, totaling 213.4 million euros at the end of 2021. This evolution was determined by the growth of commissions related to the banking business of the Polish subsidiary, but also benefiting from the increase in the subsidiary in Mozambique, albeit in a smaller scale.

NET COMMISSIONS

Euro million

	2021	2020	Chg 21/20
Banking commissions	614.9	569.6	7.9%
Cards and transfers	181.8	159.2	14.2%
Credit and guarantees	154.9	147.9	4.7%
Bancassurance	116.1	118.3	-1.9%
Management and maintenance of accounts	148.5	131.0	13.4%
Other commissions	13.5	13.1	2.8%
Market related commissions	112.9	107.0	5.5%
Securities	37.1	44.3	-16.3%
Asset management and distribution	75.8	62.6	21.0%
NET COMMISSIONS	**727.7**	**676.6**	**7.6%**
Of which:			
Activity in Portugal	514.3	481.5	6.8%
International activity	213.4	195.0	9.4%

Net trading income stood at 86.5 million euros in 2021, standing significantly below the 140.6 million euros recorded in the previous year, penalized by the performance of the international activity, whose reduction was however, partially offset by the growth recorded in the activity in Portugal.

In the activity in Portugal, net trading income reached 75.6 million euros at the end of 2021, standing 22.9% above the 61.5 million euros posted in 2020. This performance was largely due to the fact that costs recognized with the revaluation of corporate restructuring funds were lower than the 72.4 million euros recognized in 2020, amounting to 34.8 million euros at the end of 2021. It should be noted, however, that the amount recorded in 2020 included 65.1 million euros recognized following the incorporation of conservative assumptions intended to reflect the adverse context caused by the COVID-19 pandemic in the valuation of the underlying assets. In addition, the costs incurred with the sale of credits also showed a favorable evolution compared to the previous year. On the other hand, the performance of net trading income was penalized by the fact that the significant gains from foreign exchange operations recognized in 2020, related to the foreign exchange coverage of the Group's stake in Poland, following the devaluation of the Zloty, were not repeated in the current year. The gains recognized with Portuguese sovereign public debt were also lower than the income recognized in 2020, although this evolution was partially offset by the higher gains from the disposal of other securities, namely foreign sovereign debt.

Regarding the international activity, net trading income were significantly below the 79.2 million euros recorded in 2020, amounting to 11.0 million euros in 2021. This development was determined by the performance of the Polish subsidiary, influenced mainly by the costs incurred in converting mortgage loans granted into Swiss francs, following the agreements closed in the meantime with customers holding those credits, which in 2021 amounted at 78.3 million euros, compared to 10.6 million euros recognized in 2020. The lower profits obtained from the disposal of debt securities, mainly Polish public debt also penalized the performance of net trading income. Conversely, net trading income at the subsidiary in Mozambique have evolved favorably mainly due to the increase in income from foreign exchange operations carried out with clients.

Other net operating income[6] which, among others, includes the costs associated with mandatory contributions as well as with the resolution and the deposit guarantee funds, showed a favorable evolution, from a negative amount of 164.6 million euros in 2020, to an also negative amount of 126.3 million euros at the end of 2021. This evolution mainly reflects the good performance of the international activity, also benefiting, although in a smaller scale, from the performance of the activity in Portugal.

Other net operating income in the activity in Portugal evolved from a negative amount of 72.9 million euros in 2020 to an also negative amount of 66.1 million euros in 2021. The gains recognized in 2021 from the sale of non-current assets held for sale which contrast with the losses generated in the previous year, mainly contributed for this evolution. On the other hand, the increase in the costs incurred with mandatory contributions, from 70.0 million euros in 2020 to 77.2 million euros in 2021, continues to penalize the performance of other net operating income in Portugal, being important to note that from the total amount recognized in 2021, 56.2 million euros refers to contributions to national entities.

In the international activity, other net operating income[6] in 2021 stood at a negative amount of 60.3 million euros, showing a very significant improvement from the also negative amount of 91.7 million euros in the previous year. This evolution was determined by the contribution of the Polish subsidiary, which in 2021 includes the recognition of income in the amount of 48.0 million euros (8.2 million euros in 2020) to be reimbursed by a third entity related to foreign exchange mortgage legal risk, following the contract of acquisition of Euro Bank S.A. At the same time, the reduction in costs with mandatory contributions to which the Polish operation is subject also contributed favourably to the evolution of other net operating income in the international activity.

[6] In 2020, the amount of other net operating income includes the specific items considered by the Polish subsidiary in the amount of 0.2 million euros, related to costs arising from the acquisition, merger and integration of Euro Bank S.A.

Operating costs, not considering the effect of specific items[7], totaled 1,024.9 million euros in 2021, showing a 1.8% reduction from the 1,043.9 million euros recorded in the previous year. This evolution reflects a disciplined management of costs and the maintenance of the focus of the Group on the commitment made to improve efficiency, namely in the activity in Portugal.

In the activity in Portugal, operating costs, not considering the effect of the specific items, totaled 602.2 million euros at the end of 2021, standing 2.7% below the 618.7 million euros posted in the previous year. The abovementioned specific items totaled 90.7 million euros in 2021 and 31.6 million euros in 2020, in both years, mainly related to the costs related to headcount adjustment, incorporating as well in 2021 the impact of a provision of 84.2 million euros, booked following the headcount adjustments identified as necessary under the Mobilising 2018/2021 strategic plan.

The favorable evolution of operating costs in the activity in Portugal, excluding specific items, was mainly due to the savings in staff costs. Although with less expression, other administrative costs were also at a lower level than in 2020. Depreciations, in turn, increased compared to the amount recorded in the previous year.

In the international activity, operating costs, excluding the effect of the specific items (14.8 million euros recognized by the Polish subsidiary in 2020, related to acquisition, merger and integration of Euro Bank S.A.), totaled 422.7 million euros at the end of 2021, standing slightly below the 425.2 million euros recorded in 2020. Although in line with the amount calculated in 2020, operating costs in the international activity incorporate distinct dynamics in their evolution, as the favourable performance of the Polish subsidiary was largely absorbed by the increase in costs recorded in the Mozambican operation.

In consolidated terms, the reduction in operating costs, excluding specific items, together with the increase in core income and net operating revenues, led the cost to income and the cost to core income ratios of the Group, to stand below the levels shown in the previous year (46.3% and 47.3%, respectively) reaching 43.9% and 44.2%, respectively.

Staff costs, not considering the effect of specific items (90.7 million euros in 2021 and 40.9 million euros in 2020), totaled 563.6 million euros at the end of 2021, showing a 3.5% reduction from the 583.9 million euros accounted in the previous year, mainly due to the favourable performance of the activity in Portugal. In 2021, the specific items were entirely recognized in the activity in Portugal, being mainly associated to headcount adjustment costs, mainly including the impact of a provision, in the amount of 84.2 million euros, booked following the headcount adjustment plan, identified as necessary under the Mobilising 2018/2021 strategic plan. On the other hand, in 2020, in addition to the specific items recognized in the activity in Portugal, mainly related to headcount adjustment costs, costs of the acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary, were also considered.

In the activity in Portugal, staff costs stood at 345.5 million euros in 2021, 5.1% below the 364.0 million euros posted in the previous year. This evolution does not consider the impact of specific items, in the amount of 90.7 million euros in 2021, and 31.6 million euros in 2020, in both years mainly related to the headcount adjustment. As mentioned above, the amount recognized in 2021 includes the impact of the provision of 84.2 million euros, accounted under the headcount adjustment plan that the Bank has carried out during the last year, following the

[7] In 2021, negative impact of 90.7 million euros, fully recognized as staff costs in the activity in Portugal, mainly related with headcount adjustment, including a provision, in the amount of 84.2 million euros. In 2020, the impact was also negative, in the amount of 46.5 million euros, of which 31.6 million euros recognized as staff costs in the activity in Portugal (related to headcount adjustment costs, compensation cost for temporary salary cuts of employees and income arising from the agreement with a former director of the Bank), and 14.8 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary (9.3 million euros as staff costs, 5.0 million euros as other administrative costs and 0.5 million euros as depreciation).

analysis of the needs of the Bank in relation to the existing capacity and also taking into account the adaptation of models and business processes to the new technologies. Although in the Mobilising 2018/2021 strategic plan this adjustment was foreseen for 2020, the emergence of the pandemic associated to COVID-19 led the Bank to postpone its implementation. On the other hand, in 2020, in addition to the costs associated with the adjustment of the headcount, the specific items also include the compensation for temporary adjustment of employee remuneration and the positive impact arising from the agreement concluded with a former director of the bank.

The favourable evolution of staff costs in the activity in Portugal, excluding the impact of specific items, was mainly due to the reduction, in net terms, in the number of employees, that went from 7,013 employees as at 31 December 2020, to 6,289 employees at the end of 2021, reflecting the impact of the headcount adjustment plan.

In the international activity, staff costs fell slightly by 0.8% compared to 219.9 million euros posted in 2020, standing at 218.0 million euros at the end of 2021. In this evolution, the impact of the specific items in the amount of 9.3 million euros, fully recognized in 2020 by the Polish subsidiary, relating to costs of the acquisition, merger and integration of Euro Bank S.A. is not being considered.

The performance of staff costs, excluding specific items, in the international activity was driven by the reduction recorded in the Polish subsidiary, although it was largely absorbed by the increase in the operation in Mozambique.

The challenging context of the Polish subsidiary, marked by a sharp reduction in interest rates that lasted until the end of the third quarter of 2021 and the implicit risks in the mortgage loans portfolio in Swiss francs, led the efficiency improvement to be accelerated, which was reflected in the progressive reduction in the total number of employees, from 7,645 employees (7,493 FTE - full time equivalent) at the end of 2020 to 7,079 employees (6,942 FTE – full-time equivalent) as of 31 December 2021. On the other hand, in the operation in Mozambique, despite a reduction of 95 employees in the staff, from 2,591 employees on 31 December 2020, to 2,496 employees on 31 December 2021, this reduction was due to the sale by BIM - Banco Internacional de Moçambique of 70% of the share capital of SIM, becoming a minority shareholder with a stake of 22%. Excluding the 152 employees that at the end of 2020 belonged to SIM, the staff of the Mozambican operation increased by 57 employees last year, which together with the effect of inflation, the additional payments of employee health insurance and the medical expenses associated with COVID-19, justified the increase in total staff costs compared to the previous year.

The staff of the international activity at the end of December 2021 was composed of 9,579 employees, 743 fewer than the 10,322 employees at the same date of the previous year, mainly due to the reduction of 566 employees observed at Bank Millennium, but also reflecting the net reduction of 95 employees showed by the subsidiary in Mozambique, strongly influenced by the impact of the sale of SIM which, in 2020, had 152 employees. It should also be noted that following the sale of the entire capital of Banque Privée BCP (Suisse), which occurred in 2021, the number of employees of the Swiss subsidiary (82 employees at the end of 2020) also contributed to this reduction in international activity. In this context, it should be noted that in accordance with IFRS 5, both SIM and the Swiss operation were classified as discontinued operations, with their staff costs now being reflected as income arising from discontinued operations, as well as their historical values for 2020, in order to ensure the comparability of the information.

Other administrative costs totaled 324.2 million euros in 2021, in line with the amount recorded in the previous year, excluding the specific items recognized in 2020, in the amount of 5.0 million euros, fully recognized by the Polish subsidiary related to the costs of acquisition, merger and integration of Euro Bank S.A. Although in consolidated terms other administrative costs, excluding the impact of specific items, are at a similar level to that observed in 2020, it is important to highlight the savings obtained in the activity in Portugal, despite the fact that they were absorbed, almost entirely, by the increase in the international activity.

In the activity in Portugal, other administrative costs amounted to 176.4 million euros at the end of 2021, showing a 1.1% decrease from the amount accounted in the previous year. The impacts of the pandemic associated with COVID-19 continue to strongly influence the evolution of other administrative costs in both directions. As such, the impacts of the implementation of the Bank's contingency plan, based on the adoption of remote work and the suspension or postponement of certain projects and travels, were mainly reflected in the reduction of costs related to advisory services, other supplies and services, information technology, communications, consumables, water, energy and fuels, maintenance and related services and travel, hotel and representation. On the other hand, the current pandemic context led to an increase in the activity of call centers, which has contributed mainly to the increase in costs associated with outsourcing, but also in the costs associated with rents, particularly with regard to software rental. In addition, the gradual resumption of activity in 2021 also had an impact on the increase in certain types of costs, in particular those associated with legal expenses, advertising and other specialised services, which were thus higher than the amount recognised in the previous year. In addition to the impacts arising from the current pandemic context, the evolution of other administrative costs in the activity in Portugal was also influenced by the decision of the Bank to maintain a disciplined cost management, continuing to implement a series of measures in this sense, among which stands out the resizing of the branch network, from 478 on 31 December 2020, to 434 at the end of 2021.

In the international activity, other administrative costs amounted to 147.8 million euros at the end of 2021, standing slightly above (0.9%) the amount posted in the previous year, not considering the specific items mentioned above. This evolution was determined by the increase in the subsidiary in Mozambique, although it was partially offset by the savings in the Polish subsidiary, which despite the increase in costs associated to legal advice services to support issues related to the foreign exchange mortgage loan portfolio, benefited from ongoing restructuring measures, in particular a set of synergies arising from the merger with Euro Bank S.A. Among these synergies, the cost savings associated with the optimisation of the branch network should be emphasized, with the total number increasing from the 702 branches as at 31 December 2020 to 655 branches at the end of 2021. Regarding the number of branches, the subsidiary in Mozambique ended 2021 with 199 branches, the same number it had at the end of the previous year.

Depreciations, excluding the specific items recognized in 2020 by the Polish subsidiary under the acquisition of Euro Bank S.A., in the amount of 0.5 million euros, were 1.4% above the 135.3 million euros posted in 2020, totaling 137.2 million euros at the end of 2021. This evolution mainly reflects the performance of the activity in Portugal, whose increase was partially offset by the reduction in the international activity.

In the activity in Portugal, depreciations went from 76.4 million euros in 2020, to 80.3 million euros in the current year, mainly reflecting the impact of the increase in investment in software made during the last years. This strengthening of software investment testifies the commitment of the Bank to the ongoing digital transformation process and the constant focus on technological innovation and has proved crucial for the immediate response capacity to the challenges arising from the pandemic associated with COVID-19.

In the international activity, depreciations, excluding the specific items abovementioned, showed a 3.4% reduction from 58.9 million euros recorded in 2020, totaling 56.9 million euros in the current year. This evolution was mainly due to the performance of the Polish subsidiary, that partially reflects the synergies obtained following the integration of Euro Bank S.A. by Bank Millennium, S.A. On the other hand, in 2021, depreciations in the subsidiary in Mozambique were higher than in 2020, partly due to the exchange rate evolution of the Metical against the euro.

OPERATING COSTS (1)

Euro million

	2021	2020 (restated)	Chg. 21/20
Staff costs	563.6	583.9	-3.5%
Other administrative costs	324.2	324.8	-0.2%
Depreciations	137.2	135.3	1.4%
OPERATING COSTS	**1,024.9**	**1,043.9**	**-1.8%**
Of which:			
Activity in Portugal	602.2	618.7	-2.7%
International activity	422.7	425.2	-0.6%
Cost to core income of the Group	44.2%	47.3%	
Cost to income of the Group	43.9%	46.3%	

(1) Excludes the impact of specific items.

Impairment for loan losses (net of recoveries) showed a favourable evolution both in the activity in Portugal and the international activity, showing in consolidated terms, a reduction of 31.6%, from 509.9 million euros in 2020, to 348.9 million euros in 2021. This evolution was strongly influenced by the extraordinary strengthening of impairment recognized in 2020 to cope with the context of economic crisis caused by the pandemic associated with COVID-19 and its underlying risks, both in the activity in Portugal and in international activity, totaling 187.4 million euros, in consolidated terms.

In the activity in Portugal, impairment for loan losses (net of recoveries) totaled 273.3 million euros in 2021, standing 22.8% below the 354.0 million euros recognized in the previous year. This reduction was largely due to the recognition of extraordinary impairments, in order to address the increased risks implicit to the adverse context that was experienced at that time, resulting from the pandemic associated with COVID-19, which achieved 152.5 million euros in the activity in Portugal. In this sense, the update carried out regarding the credit risk parameters considered for the purposes of calculating collective impairment led to the booking of additional charges in the amount of 55.4 million euros. Additionally, the performance of impairment for loan losses in the activity in Portugal also benefited from the extraordinary, unexpected positive impacts associated with the activity of an individual client that led to lower provisioning needs in 2021.

In the international activity, impairment charges (net of recoveries), fell to less than a half of the 155.9 million euros recognized in 2020, to 75.6 million euros at the end of 2021. The Polish subsidiary was primarily responsible for this evolution, made possible mainly by the improvement in both the level of implicit risk in loans subject to moratoriums, which have since expired, and to the risk of the other customers, both individuals and companies. For the decrease in impairment for loan losses in the Polish subsidiary during last year, it has also contributed the extraordinary reinforcement, in the amount of 29.9 million euros, that was accounted in 2020 by the subsidiary to cover the risks implicit to the COVID-19 pandemic. In the subsidiary in Mozambique, there was also a significant reduction in the impairment for loan losses (net of recoveries) that in 2021 was set in a low material amount, benefiting on the one hand from the reversal of the impairment associated with an individual client, motivated by the foreclosure of assets, and on the other hand the impact of the additional impairments that were booked in 2020, to address the risks implied in the loans portfolio, arising from the context of the COVID-19 pandemic that was then experienced.

The evolution of impairment for loan losses (net of recoveries) led the cost of risk of the Group (net of recoveries) to improve in both, the activity in Portugal and the international activity, allowing it to stand at 60 basis points, considerably below the 92 basis points observed in 2020. In the activity in Portugal the cost of risk (net of recoveries) went from 92 basis points in 2020, to 69 basis points in 2021, and in the international activity improved from 91 basis points to 41 basis points in the last year.

Other impairments and provisions totaled 712.2 million euros in 2021, more than doubling the 331.5 million euros recognized in the previous year strongly influenced by the reinforcement of the extraordinary provision, booked by the Polish subsidiary for foreign exchange mortgage legal risk. Although with lower magnitude, other impairment and provisions in the activity in Portugal were also higher than in 2020.

In 2021, other impairment and provisions, in the activity in Portugal, amounted to 165.4 million euros, standing above the 118.8 million euros recognized in the previous year, reflecting above all the reinforcement of provisions for other risks. Conversely, it is important to mention the lower level of provisions for non-current assets held for sale and for other financial assets in the latter case, favourably influenced by the aforementioned revision of the credit risk parameters of the collective impairment models carried out in 2020.

In the international activity, the evolution of other impairment and provisions, from 212.7 million euros in 2020, to 546.8 million euros in 2021, was determined as mentioned before by the contribution of Polish subsidiary, namely by the reinforcement of the extraordinary provision booked for foreign exchange mortgage legal risk. Thus, following the negative trends in court decisions, the inflow of new court cases and the more conservative assumptions applied in risk assessment, these provisions stood 345.2 million euros above the 160.1 million euros recognized in 2020, totaling 505.3 million euros in the current year. It is worth noting that the impact of this provision in 2021 was partially offset by the recognition of an income in the amount of 48.0 million euros (8.2 million euros in 2020) reflected in other net operating income, corresponding to the amount receivable from a third party, following the indemnity clauses and contractual guarantees provided for in the contract of acquisition of Euro Bank S.A. In addition, and although the appeal application is still under evaluation, in November 2021, the Polish subsidiary booked a provision of 22.6 million euros to cover potential losses that may result from a dispute involving the contracting of foreign exchange transactions with a client. It should be noted that in 2020 additional provisions were booked in the amount of 31.8 million euros in order to cover the return of commissions charged to customers for the early repayment of consumer credit operations, following a decision taken by the Court of Justice of the European Union. This impact, like the provisions associated with foreign exchange mortgage loans, was partially offset by the recognition of income, also reflected in other net operating income in the amount of 10.7 million euros, corresponding to the amount received from a third party, following the clauses provided for in the contract for the acquisition of Euro Bank S.A. In the subsidiary in Mozambique, although with less expression, the amount of other impairment and provisions was also higher compared to the previous year while impairment for the investment in the participation in Banco Millennium Atlântico (including goodwill) was lower than in 2020.

Income tax (current and deferred) totaled 203.6 million euros in 2021, which compares to 132.1 million euros obtained in the same period of the previous year.

The recognized taxes include, in 2021, current tax of 81.4 million euros (108.5 million euros in 2020) and deferred tax of 122.3 million euros (23.6 million euros in 2020).

Current tax expenses in 2021 were strongly influenced by provisions for legal risks related to the portfolio of foreign exchange mortgage loans and mandatory contributions to the banking sector, non-deductible for tax purpose, both at the level of the Polish subsidiary.

Deferred tax expenses in 2021 were influenced by provisions and mandatory contributions to the banking sector, non-deductible for tax purposes, at the level of the activity in Portugal.

BALANCE SHEET

Total assets of the consolidated balance sheet of Millennium bcp amounted to 92,905 million euros as at 31 December 2021, maintaining the growth trend shown in recent years, standing 8.4% above the 85,715 million euros at the end of the previous year. This evolution mainly reflects the performance of the activity in Portugal, although it has also benefited from the increase in the international activity.

The performance of the activity in Portugal resulted in an increase of 9.8% of the total assets, compared to 61,212 million euros recorded at 31 December 2020, setting at 67,216 million euros at the end of 2021. The strengthening of the securities portfolio, in particular the foreign public debt portfolio resulting from the application of the existing liquidity surplus, has largely justified this evolution, while allowing for the reinforcement of eligible assets. Additionally, the liquidity generated in the last year was also reflected in the increase in deposits at Central Banks.

Loans to customers portfolio (net of impairment), in turn, was also higher than in the previous year, contributing significantly to the increase recorded in the total assets of the activity in Portugal. Conversely, the most relevant reductions, albeit to a lesser extent, were in non-current assets held for sale, in particular in the portfolio of real estate properties received as payment and in investments in other credit institutions.

In the international activity, total assets amounted to 25,689 million euros as at 31 December 2021, showing a 4.8% growth from the 24,503 million euros recorded at the end of the previous year. This evolution reflects mainly the contribution of the subsidiary in Poland, driven by the performance of loans portfolio and also by the subsidiary in Mozambique, although in this case benefiting from the appreciation of the metical against the euro. It should be noted that the evolution of the assets of the international activity also incorporates the reduction resulting from the disposals of the operation in Switzerland and of SIM during the year 2021.

Consolidated **loans to customers (gross)**[8] of Millennium bcp, as defined in the glossary, reached 58,231 million euros as at 31 December 2021, standing 4.6% above the 55,694 million euros achieved at the end of 2020, due to the favourable performance of both the activity in Portugal and the international activity.

In the activity in Portugal there was an increase of 3.6% of loans to customers (gross) portfolio from the 38,473 million euros posted in 31 December 2020, to 39,866 million euros at the end of 2021. The net growth of loans to customers portfolio includes, on the one hand, the expansion of performing loans, which has grown 1,878 million euros during 2021 and on the other hand, the reduction in 485 million euros in NPE, following the successful divestment strategy in this type of assets, carried out by the Bank in recent years.

[8] Following the disposal of the Swiss subsidiary in 2021, its historical values (354 million euros in 2020) are not being considered in the context of this analysis, in order to ensure the comparability of the information.

In this sense, it is important to mention the positive performance of both individual and corporate loans, in the latter case, largely justified by the credit granted under the credit lines launched by the Government to face the impacts caused by the pandemic associated with COVID-19 and under the lines covered by the guarantees of the European Investment Fund, which allowed at the same time the reinforcement of the presence of the Bank with the Portuguese companies.

As at 31 December 2021, the total amount of credit granted by the Bank under the COVID-19 lines guaranteed by the Portuguese State was 2,577 million euros, representing an increase of 13.9% compared to the amount of 2,262 million euros which, at the end of 2020, the Bank had disbursed under these lines. It should be noted that the credit lines were made available mainly to small and medium-sized Portuguese companies, having allowed to support more than 18,000 customers. At the end of 2021 they represented about 6.5% of the total loan portfolio of the activity in Portugal.

During the last quarter of the year, ended the remaining portion of the exposures subject to the state moratorium under Decree Law 10-J/2020 of 26 March as amended, which corresponded to the applications that occurred in the first quarter of 2021 following the reactivation promoted by the European Banking Authority on 2 December 2020 and the publication of Decree-Law No. 107/2020, 31 December 2020. Thus, at the end of 2021, there were no operations with moratoriums in force.

Regarding the quality of the credit portfolio previously subject to a moratorium, which at the time of 31 December 2021 amounted to 8,208 million euros (expired moratoriums), it should be noted that 90.2% of this exposure corresponded to performing loans. Consequently, only 9.8% concerned non-performing exposures (operations classified as stage 3), which compared with a percentage of non-performing exposures of 4.7%[9] of the total portfolio.

In the international activity, loans to customers (gross)[8] reached 18,365 million euros as at 31 December 2021, showing a 6.6% growth from the 17,221 million euros posted at the end of 2020, determined by the performance of the Polish subsidiary, namely in what concerns to mortgage loans.
It should be noted that the contribution of Bank Millennium in Poland was decisive in this evolution, since there was an expansion of the mortgage portfolio granted by the Polish subsidiary even in a context of a progressive reduction in the foreign currency credit portfolio. In this context, it should be noted that foreign exchange mortgage loan portfolio of Bank Millennium, mainly in Swiss francs, showed a significant reduction during the past year, decreasing from 3,149 million euros at 31 December 2020 to 2,185 million euros at the end of 2021. It should be noted that in the first half of 2021, the Group changed the presentation of provisions for individual mortgage loans in Swiss francs, starting to allocate provisions for future legal risks and recognizing them as a reduction in the gross book value of loans for those where is expected a reduction in cash flows under IFRS 9. The foreign exchange loans portfolio represented 18.9% and 12.3% of the total amount of credit recorded on the balance sheet of Bank Millennium and 5.6% and 3.8% of the Group's total loans portfolio at the end of 2020 and 2021, respectively.

It should be noted that the foreign exchange loan portfolio before the aforementioned provisions, which amount to 96 million euros and 589 million euros on 31 December 2020 and 2021, respectively, without the portion relating to Euro Bank S.A., the risk of which is fully secured by a third party, under the clauses provided for in the contract of acquisition of that entity, amounted to 3,026 million euros at the end of 2020 and 2,609 million euros at the end of 2021, resulting in a reduction of 13.8%.

[9] NPE ratio, measured by the quotient between non-performing exposures (only exposures included in the aggregate of loans to customers) and total loans (gross).

The structure of the consolidated loans to customers portfolio (gross) maintained a balanced level of diversification, with loans to individuals and loans to companies representing, respectively 58.5% and 41.5% of the total portfolio as at 31 December 2021 (57.4% and 42.6%, respectively in the same date of 2020, considering stated information).

LOANS TO CUSTOMERS (GROSS)

Euro million

	31 Dec. 21	31 Dec. 20 comparable (1)	Chg. 21/20
INDIVIDUALS	**34,071**	**32,152**	**6.0%**
Mortgage	28,072	26,363	6.5%
Personal loans	5,999	5,789	3.6%
COMPANIES	**24,160**	**23,542**	**2.6%**
Services	8,297	8,280	0.2%
Commerce	4,231	4,031	5.0%
Construction	1,766	1,796	-1.7%
Others	9,866	9,435	4.6%
	58,231	**55,694**	**4.6%**
Of which:			
Activity in Portugal	39,866	38,473	3.6%
International activity	18,365	17,221	6.6%
Descontinued operations	--	354	
TOTAL	**58,231**	**56,048**	**3.9%**

(1) Following the sale of Banque Privée BCP in Switzerland in 2021, its historical figures related to 2020 were included in a single line called "Discontinued operations", in order to ensure the comparability of the information.

The **quality of the credit portfolio** continues to be one of the priorities of the Group, that maintains the focus on the continuous improvement of risk control environment and on the permanent monitoring of the risk levels incurred, ensuring, at the same time, full compliance with regulatory and supervisory requirements and updating the internal regulations structure that is appropriate for risk management and control.

With the emergence of the pandemic associated with COVID-19, the Bank implemented a contingency plan to identify and measure the inherent credit risk, adopting operational measures to adequately respond to the impacts arising from the pandemic outbreak. In this sense, we must point out the development and deepening of the Customer follow-up model, with the aim of adequately respond to its impacts, namely the end of support measures for companies and individuals promoted by the Portuguese State. The approach defined by the Bank in this context involved setting up new areas/task forces to assess and monitor customer credit exposures and define and implement strategies suited to each specific case. The follow-up model assumes the segmentation of the entire Bank's loan portfolio, with the allocation of selected customers for follow-up to the different areas created in accordance with criteria approved by the Executive Committee, ensuring specific reports including reports to the Supervisory Entities and management bodies. At the same time there was an extension of the scope of the Credit and Non-Productive Assets Monitoring Commission to monitor the credit portfolio, with special focus on the impacts arising from the COVID-19 pandemic.

The multiple loan quality indicators continue to show a widespread trend of improvement, highlighting the net reduction in the amount of the NPE portfolio, from 3,295 million euros on 31 December 2020, to 2,752 million euros at the end of 2021, reducing 543 million euros, of which 485 million euros in Portugal.

The NPE ratio as a percentage of the total loan portfolio, also showed a favourable performance, from 5.9% at the end of 2020, to 4.7% as at 31 December 2021, highlighting the performance of the domestic loan portfolio, for which NPE ratio decreased from 6.1% to 4.7% in the same period.

Regarding coverage indicators, there was also a general improvement in the last year, highlighting the performance of the activity in Portugal, whose coverage level of NPE by impairments, increased from 63.0% at the end of the previous year, to 68.5% as at 31 December 2021. The coverage of NPL by more than 90 days, evolved from 118.6%, to 165.8% in the same period.

The coverage of foreign exchange mortgage loan portfolio, considering the total amount of the portfolio, i.e. before the reduction resulting from the provisions directly reducing the gross book value of the loans, but excluding the total amount of exposure from Euro Bank S.A. (3,026 million euros and 2,609 million euros at the end of 2020 and 2021, respectively) and the total amount of provisions booked (203 million euros and 672 million euros, including both provisions consisting directly of reduction in asset value and provisions in liabilities) showed a significant growth of 6.7% at 31 December 2020 to 25.7% at 31 December 2021.

CREDIT QUALITY INDICATORS

	Group			Activity in Portugal		
	31 Dec. 21	31 Dec. 20	Chg. 21/20	31 Dec. 21	31 Dec. 20	Chg. 21/20
STOCK (M€)						
Loans to customers (gross)	58,231	56,048	3.9%	39,866	38,473	3.6%
Overdue loans > 90 days	949	1,297	-26.8%	586	918	-36.2%
Overdue loans	1,080	1,420	-24.0%	605	933	-35.1%
Restructured loans	2,564	2,661	-3.7%	2,069	2,174	-4.9%
Non-performing loans (NPL) > 90 days	1,237	1,766	-30.0%	776	1,255	-38.2%
Non-performing exposures (NPE)	2,752	3,295	-16.5%	1,878	2,363	-20.5%
Loans impairment (Balance sheet)	1,871	2,073	-9.8%	1,286	1,488	-13.6%
RATIOS AS A PERCENTAGE OF LOANS TO CUSTOMERS						
Overdue loans > 90 days / Loans to customers (gross)	1.6%	2.3%		1.5%	2.4%	
Overdue loans / Loans to customers (gross)	1.9%	2.5%		1.5%	2.4%	
Restructured loans / Loans to customers (gross)	4.4%	4.7%		5.2%	5.7%	
NPL > 90 days / Loans to customers (gross)	2.1%	3.2%		1.9%	3.3%	
NPE / Loans to customers (gross)	4.7%	5.9%		4.7%	6.1%	
COVERAGE BY IMPAIRMENTS						
Coverage of overdue loans > 90 days	197.0%	159.8%		219.5%	162.0%	
Coverage of overdue loans	173.3%	146.0%		212.6%	159.6%	
Coverage of NPL > 90 days	151.2%	117.4%		165.8%	118.6%	
Coverage of NPE	68.0%	62.9%		68.5%	63.0%	
EBA						
NPE ratio (includes debt securities and off-balance exposures)	3.2%	4.0%		3.1%	4.2%	

Note: NPE include loans to customers only, as defined in the glossary.

Total customer funds[10] stood 9.5% above the 82,306 million euros reached in 31 December 2020, amounting to 90,097 million euros at the end of 2021. This evolution reflects the positive performance of both the international activity and mainly the activity in Portugal, in both cases regarding balance sheet customer funds and off-balance sheet customer funds.

Deposits and other resources from customers were the main driver for the growth showed by total customer funds having increased, in consolidated terms, 6,939 million euros, from 62,621 million euros at the end of 2020, to 69,560 million euros as at 31 December 2021. Off-balance sheet customer funds, in turn, evolved from 18,180 million euros, to 18,922 million euros in the same period, boosted by the growth of both assets placed with customers and assets under management, partially offset by the reduction in insurance products (savings and investment).

[10] Following the disposal of the Swiss subsidiary in 2021, the historical figures (2,186 million euros in 2020) are not being considered in the context of this analysis in order to ensure the comparability of the information.

In the activity in Portugal, total customer funds reached 66,290 million euros as at 31 December 2021, showing a growth of 5,304 million euros from the 60,987 million euros posted at the end of the previous year. This evolution was determined by the growth of 4,491 million euros recorded in deposits and other resources from customers, which increased from 43,221 million euros, to 47,712 million euros in the last year, reaffirming its weight in the assets financing structure. The growth of customer deposits in recent times reflects a greater trend of money saving by Portuguese families partly due to the feeling of insecurity brought up by the pandemic crisis, which also led to the postponement of some consumer decisions of durable goods. Although in a smaller scale, total customer funds in the activity in Portugal, also benefited from the favourable evolution of off-balance sheet customer funds, from 16,329 million euros as at 31 December 2020, to 16,972 million euros at the same date of 2021, determined by the performance of assets placed with customers and assets under management, although this was partially offset by the reduction in insurance products (savings and investment).

In the international activity[10], total customer funds increased 2,487 million euros, from 21,319 million euros as of 31 December 2020, to 23,806 million euros at the end of 2021, reflecting the contribution of both the Mozambican and mainly the Polish subsidiaries. The performance of total customer funds in the international activity was driven mainly by the growth of customer deposits that despite having assumed greater expression in the Polish subsidiary, was also felt in the operation in Mozambique.

On a consolidated basis, balance sheet customer funds and other resources from customers represented respectively 79% and 77% of total customer funds on 31 December 2021 (77% and 75%, respectively in the same date of 2020, considering stated information).

The loans to deposits ratio (stated), in accordance with the Bank of Portugal's Instruction no. 16/2004, went from 85.3% on 31 December 2020, to 81.0% at the end of 2021. The same ratio, considering on-balance sheet customers' funds stood at 79.2% as 31 December 2021, that compares to 83.3% at the same date of the previous year.

TOTAL CUSTOMER FUNDS

Euro million

	31 Dec. 21	31 Dec. 20 comparable(1)	Chg. 21/20
BALANCE SHEET CUSTOMER FUNDS	**71,175**	**64,125**	**11.0%**
Deposits and other resources from customers	69,560	62,621	11.1%
Debt securities	1,615	1,505	7.3%
OFF-BALANCE SHEET CUSTOMER FUNDS	**18,922**	**18,180**	**4.1%**
Assets under management	5,773	4,712	22.5%
Assets placed with customers	6,486	5,291	22.6%
Insurance products (savings and investment)	6,663	8,177	-18.5%
	90,097	**82,306**	**9.5%**
Of which:			
Activity in Portugal	66,290	60,987	8.7%
International activity	23,806	21,319	11.7%
Discontinued operations	--	2,186	
TOTAL	**90,097**	**84,492**	**6.6%**

(1) Following the sale of Banque Privée BCP in Switzerland in 2021, its historical figures related to 2020 were included in a single line called "Discontinued operations", in order to ensure the comparability of the information. From the total amount of customer funds relating to Banque Privée BCP, which amounted to 2,186 million euros as of 31 December 2020, 638 million euros relates to balance sheet customer funds and 1,548 million euros to off-balance sheet customer funds.

The **securities portfolio** of the Group, as defined in the glossary, stood at 21,201 million euros as at 31 December 2021, showing an increase of 16.3% from the 18,226 million euros recorded in the same date of the previous year, with its weight in total assets increasing from 21.3% to 22.8% in the same period.

The performance of the securities portfolio of the Group mainly reflects the increase in the activity in Portugal, whose balance increased from 13,320 million euros as at 31 December 2020, to 16,128 million euros at the end of 2021. The strengthening of the securities portfolio, mainly foreign sovereign debt portfolios (French, Belgian and Irish), was possible thanks to the existing liquidity surplus, allowing at the same time the reinforcement of eligible assets.

The securities portfolio of the international activity presented as well a higher balance than at the end of 2020, having increased from 4,906 million euros on that date to 5,072 million euros at 31 December 2021. This evolution was determined by the increase in the securities portfolio of the subsidiary in Mozambique, although it was partially absorbed by the reduction recorded in the subsidiary in Poland, reflecting the divestment in Polish sovereign debt in the last year. It should also be noted that this performance was influenced by the impact of the divestment of the Swiss subsidiary which occurred at the end of 2021, whose securities portfolio amounted to 60 million euros as of 31 December 2020.

LIQUIDITY MANAGEMENT

The Liquidity Coverage Ratio (LCR), on a consolidated basis, stood at 269% at the end of December 2021, comfortably above the minimum requirement of 100%, supported by highly liquid asset portfolios in an amount compatible with the prudent management of the Group's short-term liquidity. The Liquidity Coverage Ratio stood significantly above the one on the same date of the previous year (230%) which already reflected a high coverage level.

In consistent with the BCBS' stable funding standard, in June 2021, came into effect the minimum regulatory requirement of 100% for the NSFR (Article 428 of Regulation (EU) 2019/876). The Group reinforced the disposition of the stable financing base, characterized by the large share of customer deposits in the funding structure, collateralized financing and medium and long-term instruments, which enabled the stable financing ratio (Net Stable Funding Ratio or NSFR) as at 31 December 2021 to stand at 150% (140% as at 31 December 2020).

The year ended on 31 December 2021 showed a very significant growth in the deposits base of the Group's operations in Portugal and Poland, mainly supported by growth in the retail segment, continuing the trend that began to take shape soon after the outbreak of the COVID-19 crisis in March 2020.

After the ECB's decision to extend the use of the Targeted Longer-Term Refinancing Operation III ("T LTRO III") to 55% of eligible loans, BCP reinforced its medium-long-term financing component in the first quarter of 2021 through an additional borrowing of 600 million euros, in addition to the 7.55 billion euros taken in June 2020, thus raising the total gross amount taken in that instrument to 8.15 billion euros.

Within the scope of its Strategic Plan 2021-24, and in order to comply with the requirements known as "MREL" (Minimum Requirements for Own Funds and Eligible Liabilities), BCP benefited from the favourable market conditions prevailing during the first quarter of 2021 to anticipate the execution of a senior preferred issue in the amount of 500 million euros, foreseen in that plan only for the third quarter of 2021.

At the end of the third quarter, BCP returned to the market under its Euro Note Program, placing an inaugural issue of 500 million euros of senior preferred social debt securities by a Portuguese issuer in the ESG (Environmental, Social and Governance) segment, focusing in this case on the social component. Thus, under the terms of its Green, Social and Sustainability Bond Framework, the net proceeds from the issuance are primarily directed for the financing and/or refinancing of loans granted by the Bank under the COVID-19 lines, constituting a demonstration of the commitment assumed by the Bank in supporting the economy, specifically financing micro, small and medium-sized enterprises most affected by the recent pandemic context. The issue has a term of 6.5 years, with an option for early repayment by the Bank at the end of 5.5 years, and involved a diverse set of European institutional investors, many of whom are committed to ESG investments.

Also in line with the strategy of continuously optimizing its capital structure, strengthening its own funds and its base of eligible liabilities to meet the "MREL" requirements, the Bank issued in November 2021 a subordinated debt in the amount of 300 million euros, eligible as Tier 2 own funds, with a maximum term of 10.5 years and with the option of early repayment by the bank at any time in the six months following the end of the 5th year.

The liquidity generated by the operations described above, in addition to that resulting from the sustained reduction in the commercial gap in Portugal, mainly due to the growth in deposits from retail customers, continued to be applied to support the real economy and also, given its materiality, to reinforce by 2.8 billion euros in the securities portfolio in Portugal and an increase of 2.1 billion euros (to 6.4 billion euros) in reserves deposited with the Bank of Portugal.

Focused mainly on sovereign debt portfolios, the placements in securities contributed to an increase of 3.0 billion euros in the balance of eligible assets (after haircuts) available for discount at the ECB, to 25.5 billion euros. Taking in account that net funding with the ECB, in the same period, fell by 1.6 billion euros, to 1.7 billion euros, the eligible liquidity buffer with the ECB increased by 4.6 billion euros, to 23.8 billion euros.

The ECB's response to the COVID-19 crisis involved, in addition to providing additional liquidity to the banking system through the creation of the aforementioned T LTRO III, a transversal reduction of haircuts applicable to all types of assets eligible for discount, in the case of portfolios of credit rights on a permanent basis. Unless otherwise decided by that entity, the temporary measures should be in force until June 30, 2022, and their reversal is not expected to have material consequences on the size of the buffer held by the BCP with the ECB, given its current magnitude.

Throughout 2021, the liquidity positions of Bank Millennium (Poland) and Millennium bim (Mozambique), the two main subsidiaries of BCP, continued to show their robustness, mainly through the reinforcement of retail deposits, allowing them to keep at a high level their liquidity buffers at the respective central banks. As a result, both have positioned themselves globally in the comfort zone of the liquidity risk indicators adopted across the Group, as well as in all regulatory indicators.

The Group's counterbalancing capacity is defined by the ability to generate additional liquidity in the short term to deal with possible situations of financial stress. The measures for its reinforcement are described in the Recovery Plan which, as at 31 December 2021, had a total estimated value for Portugal of 2.300 billion euros, arising from the sale of corporate bonds and commercial paper, securitization of a portfolio of consumer credit and issuance of retained covered bonds to be mobilized for the ECB's monetary policy pool.

In consolidated terms, the refinancing risk of medium to long-term instruments will remain at very low levels in the coming years. Excluding the LTRO III refinancing, the annual amount to be refinanced over the next five years will only reach 1.0 billion euros in 2022, with the payment of a covered bond issue at that exact amount. Even in this case, the collateral released after repayment will be integrated into the ECB liquidity buffer without significant loss of liquidity.

CAPITAL

The estimated CET1 ratio as at 31 December 2021 stood at 11.7% in phased-in and in fully implemented, reflecting a change of -49 and -48 basis points, respectively, compared to the 12.2% phased-in and fully implemented, reported in the same period of 2020 and above the minimum ratios defined on the scope of SREP (Supervisory Review and Evaluation Process) for both the year 2021 (CET1 8.828%, T1 10.750% and Total 13.313%) and for 2022 (CET1 9.156%, T1 11.125% e Total 13.750%).

The evolution of capital ratios in the period was significantly impacted by the increase in provisioning for legal risks associated with foreign exchange loans of Bank Millennium in Poland, as well as by changes in the recognition of non-controlling interests in own funds, partially offset by the positive performance of the activity in Portugal. Therefore, the CET1 ratio decreased from the figure presented in the same period of 2020, standing below the bank's medium-term goals, without jeopardizing the prospect of convergence towards such goals.

SOLVENCY RATIOS

Euro million

	31 Dec. 21	31 Dec. 20
FULLY IMPLEMENTED		
Own funds		
Common Equity Tier 1 (CET1)	5,375	5,651
Tier 1	5,884	6,187
Total Capital	**7,247**	**7,213**
Risk weighted assets	**45,863**	**46,322**
Solvency ratios		
CET1	11.7%	12.2%
Tier 1	12.8%	13.4%
Total capital	15.8%	15.6%
PHASED-IN		
CET1	11.7%	12.2%

Note: The capital ratios of December 2021 and December 2020 include the positive accumulated net income of the respective periods.
The capital ratios of December 2021 are estimated and non-audited.

SIGNIFICANT EVENTS IN 2021

In 2021, the Bank kept its focus on supporting households and companies, particularly with the agents most affected by the effects of the COVID-19 pandemic.

On **5 February 2021**, Banco Comercial Português, S.A. ("Bank") fixed the terms for a new issue of senior preferred debt securities, under its Euro Note Programme. The issue, in the amount of 500 million euros, has a tenor of 6 years, with the option of early redemption by the Bank at the end of year 5, an issue price of 99.879% and an annual interest rate of 1.125% during the first 5 years (corresponding to a spread of 1.55% over the 5-year mid-swap rate). The annual interest rate for the 6th year was set at 3-month Euribor plus a 1.55% spread.

On **20 May 2021**, Banco Comercial Português, S.A. informed about the resolutions of the General Meeting of Shareholders. Of special note:

- Approval of the management report, the individual and consolidated annual report, balance sheet and financial statements of 2020, including the Corporate Governance Report and of the proposal for the appropriation of profit regarding the 2020 financial year;
- Approval of the Dividend Policy;
- Approval of the remuneration policy of Members of Management and Supervisory Bodies;
- Approval of the policy for the selection and appointment of the statutory auditor or Audit Firm and well as for the engagement of non-audit services that are not prohibited under the terms of the applicable legislation;
- Re-appointment of Deloitte & Associados – Sociedade de Revisores Oficiais de Contas, S.A., as the Single Auditor, that selected Mr. Paulo Alexandre de Sá Fernandes, ROC nr. 1456, to represent it, and of Mr. Jorge Carlos Batalha Duarte Catulo, ROC nr. 992, as his alternate, during the triennial 2021/2023;
- Re-appointment of Deloitte & Associados - Sociedade de Revisores Oficiais de Contas, S.A., to perform functions of External Auditor in the triennial 2021/2023;
- Approval of the maintenance of the voting limitations foreseen in articles 25 and 26 of the Banks's Articles of Association.

On **29 June 2021**, Banco Comercial Português, S.A. entered into an agreement with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) SA ("Banque Privée"). The sale of the entire share capital of Banque Privée BCP (Suisse) SA ("Banque Privée") to Union Bancaire Privée, UBP SA was completed in November 2, 2021. The amount received for the sale of Banque Privée's share capital is CHF 113,210,965.00, reflecting the distribution of dividends and the share capital reduction that have occurred in the meantime. Considering this amount, the transaction has a (positive) impact on the consolidated results for the current year, on a pro forma basis as at 30/09/2021, of approximately 46 million euros and a positive impact on the consolidated CET1 ratio of 15 basis points and on total capital of 17 basis points, confirming the amounts previously announced. The final price is still subject to adjustments arising from the evolution of assets under management and the activity of Banque Privée BCP (Suisse) SA. The sale of Banque Privée allows BCP Group to pursue its strategy of focusing resources and management on core geographies, enhancing their development and thus creating value for stakeholders.

On **1 August 2021**, Banco Comercial Português, S.A. (BCP) informed about the results of the 2021 stress test, regarding the European Union. Considering the results of BCP, in the stress test, it should be highlighted the following:

- the application of the adverse scenario resulted in a reduction of 406 b.p. in the fully loaded CET1 capital ratio at the end of 2023 versus the data as at December 2020 (which compares with an average reduction of 485 b.p. in the universe of 50 banks submitted to this exercise);
- the application of the base scenario resulted in an increase of 163 b.p. in the fully loaded CET1 capital ratio at the end of 2023 versus the data as at December 2020 (which compares with an average increase of 78 b.p. in the universe of 50 banks submitted to this exercise).

On **21 September 2021**, Banco Comercial Português, S.A. informed that Moody's rating agency upgraded in one-notch BCP's deposits ratings from Baa3/Prime-3 to Baa2/Prime-2, driven by the higher rating uplift for the deposits, stemming from the upgrade of Portugal's sovereign bond rating. This upgrade and the affirmation of the senior unsecured debt ratings of Ba1 reflect the affirmation of BCP' BCA (Baseline Credit Assessment) and Adjusted BCA, Moody's Advanced LGF (Loss Given Failure) analysis and unchanged moderate government support assumptions for BCP. The outlook on BCP's long-term deposit and senior unsecured debt ratings remains stable, reflecting Moody's view that the bank's creditworthiness will be steady over the outlook horizon.

On **29 September 2021**, Banco Comercial Português, S.A. informed that it has set the conditions for an issue of social senior preferred debt securities under its Euro Note Programme, the first of this type to be carried out by a Portuguese issuer. The issue, in the amount of 500 million euros, has a tenor of 6.5 years, with an option for early redemption by the Bank at the end of 5.5 years, an issue price of 99.527% and an interest rate of 1.75% per year for the first 5.5 years. From the 5th year and a half, the interest rate will result from the sum of the 3-month Euribor with a spread of 2.00%. This will be the first issue carried out by the Bank in the ESG (Environmental, Social and Governance) segment, focusing on the social component. Thus, an amount equivalent to the net proceeds of the Issue will be applied as a priority to the financing and/or refinancing of loans granted by the Bank under the COVID-19 lines, under the terms of the Bank's Green, Social and Sustainability Bond Framework, representing a clear demonstration of the commitment assumed by Millennium bcp in supporting the economy, in particular in financing the micro and, small and medium-sized companies most affected by the recent pandemic context. The issue is part of the funding plan defined by the Bank within the scope of its Strategic Plan 2021-2024, specifically aimed at meeting the MREL requirements (Minimum Requirements for Own Funds and Eligible Liabilities) and the strategy of strengthening its presence in capital markets and broadening its investor base. The transaction, which followed a successful roadshow, was placed with a very diversified group of European institutional investors, many of which are dedicated to ESG investments, which indicates, on one hand, the market's confidence in the Bank and, on the other, the recognition of Millennium bcp's commitments in terms of sustainable financing.

On **October 11**, Fitch Ratings revised the Outlook for BCP's long-term issuer rating (IDR) from Negative to Stable and affirmed the long-term issuer rating (IDR) at "BB" and the viability rating (VR) in "bb".

On **10 November 2021**, Banco Comercial Português, S.A. set the terms of a new issue of subordinated notes under its Euro Note Programme. The Notes are expected to be eligible as Tier 2 own funds. The issue will be in the aggregate amount of 300 million euros, with a tenor of 10.5 years and the option of early redemption by the Bank at any time during the six months between year 5 and year 5.5, a fixed annual interest rate of 4% during the first 5.5 years (corresponding to a spread of 4.065% over the 5-6 year mid-swap rate). From year 5.5 to maturity the interest rate will be determined on the basis of the then applicable 5-year mid-swap rate plus the Spread. The Notes were placed with a very diversified group of European institutional investors. The issue is part of Millennium bcp's strategy of continuing optimization of its capital structure, reinforcement of own funds and MREL (Minimum Requirements for Own Funds and Eligible Liabilities) eligible liabilities, as well as regularly accessing the international capital markets.

On **December 14 2021**, Banco Comercial Português, S.A. informed that it has been notified by Banco de Portugal, as the national resolution authority, about the establishment of its minimum requirement for own funds and eligible liabilities ("MREL" or "Minimum Requirement for own funds and Eligible Liabilities") as decided by the Single Resolution Board. The resolution strategy applied continues to be that of a multiple point of entry ("MPE"), with three different BCP Group resolution groups (in addition to the BCP resolution group, the resolution groups corresponding to (i) Bank Millennium, S.A. and its subsidiaries and (ii) Banco Internacional de Moçambique S.A. and its subsidiaries). The MREL requirements to be met by BCP, on a consolidated basis (taking as reference BCP's resolution group, which is composed of the Bank, Banco ActivoBank, S.A. and all the subsidiary companies of BCP apart from Bank Millennium, S.A. and Banco Internacional de Moçambique and their respective subsidiaries), is of:

- 23.79% of the total risk exposure amount ("TREA") (to which adds further a combined buffer requirement ("CBR") of 3.5%, thus corresponding to total requirements of 27.29%); and
- 7.23% of the leverage ratio exposure measure ("LRE").

The Bank's compliance with these requirements must be ensured by 1 January 2024, with an interim target set at 1 January 2022, by which BCP must comply with a requirement of:

- 18.17% of TREA (to which adds a further 3.25% CBR requirement, thus corresponding to a total requirements of 21.42%); and
- 7.23% of the LRE.

No subordination requirements have been applied to the Bank. In accordance with the regulations in force, MREL requirements must be updated or reconfirmed annually, and therefore these targets replace those previously set. The MREL requirements, now communicated to the BCP resolution group described above, are in line with the 2021-24 Strategic Plan and are consistent with its ongoing funding plan, and based on the information available to date, the compliance with the respective MREL requirements established for January 1, 2022, both as a percentage of the TREA (also including the applicable CBR) and as a percentage of the LRE, are already ensured, considering the senior preferred debt and subordinated debt (Tier 2) issues carried out in 2021.

On **29 December 2021**, BIM – Banco Internacional de Moçambique, SA (a bank incorporated under Mozambican law in which BCP indirectly holds a stake of 66.69%) formalized the entry into force of a long-term agreement with Fidelidade – Companhia de Seguros, SA, with a view to strengthening capabilities and expanding the offer of insurance through the banking channel (bancassurance) in Mozambique.

Under this partnership, the possibility of which was provided for in the memorandum of understanding signed between BCP and the Fosun Group in November 2016, BIM and Fidelidade also formalized the sale by BIM to Fidelidade of shares representing 70% of the share capital and voting rights of Seguradora Internacional de Moçambique, SA, with BIM maintaining approximately 22% of its share capital. BIM and Fidelidade also agreed call and put options with a view to enabling Fidelidade to acquire additional shares, and BIM's shareholding, as a result of these options, may be reduced to 9.9% of SIM's capital.

Under the long-term exclusive distribution agreement, BIM will promote the distribution of SIM insurance through the banking channel, continuing to provide its customers with a wide range of competitive insurance products, which is reinforced by the partnership with Fidelidade, an Insurance Group of reference.

The amount received by BIM for the sale of 70% of SIM is 46.8 million euros. Considering this value, the operation had a (positive) impact on BCP's consolidated results for the current year, on a pro forma basis as of 11/30/2021, of approximately 5.2 million euros and a positive impact on the consolidated CET1 ratio and in the total capital of 7 basis points.

Millennium bcp and the European Investment Fund signed two contracts under the Pan-European Guarantee Fund in the amount of around 1,200 million euros, aiming to support the recovery of Portuguese SMEs affected by the economic crisis caused by the pandemic COVID-19. On October 2021, Millennium bcp and the EIF renewed the partnership and started to provide support to Portuguese SMEs with an additional 1,650 million euros.

Millennium bcp signed two agreements, one with the Portuguese Industrial Association and the other with the Confederation of Portuguese Farmers, reinforcing its commitment to support the Portuguese businesses, worth 120 and 100 million euros, respectively.

Millennium bcp signed an agreement with the Business Confederation of Portugal (CIP), which reinforces its commitment to support the Portuguese companies, with financing of 300 million euros.

Millennium bcp is the Bank with the most valuable brand, according to the study “Most Valuable Portuguese Brands 2021” by the OnStrategy Consultant.

Reference, within the framework of Sustainability strategy and responsible business practices, creation of social value and proximity and partnership with local communities, to:

#Todos Juntos: Millennium bcp and nine other banks in the Portuguese financial system came together, within the framework of the Food Emergency Network promoted by ENTRAJUDA, in a solidarity initiative focused on food support to the most unprotected and vulnerable families in the context of the pandemic crisis caused by COVID-19 and which raised 2,043 million euros.

Millennium bcp and Fundação Millennium bcp launch action “Millennium Solidário - Natal 2021”, which allowed the collection of more than 1,500 selected articles in favor of children supported by the ACREDITAR Association and a donation of 20,000 euros to the Burns Unit of Hospital D. Estefânia.

Millennium Festival ao Largo, an annual initiative that presents, on stage at Largo de São Carlos, in Lisbon, respecting safety rules and free of charge, a variety of shows with the best of symphonic music, opera and ballet.

Millennium bcp Foundation inaugurates the new Millennium bcp Gallery located at the National Museum of Contemporary Art, in Chiado. This new space, which results from a cooperation protocol between the Bank and the Museum, will allow for an exhibition complementarity between the Millennium bcp painting collection and the NMCA collection.

Millennium bcp Foundation reopens the Núcleo Arqueológico da Rua dos Correeiros (NARC). This archaeological center, classified as a National Monument since 2015, has undergone a profound renovation in order to improve the museum experience of its visitors, exploring the archaeological remains of the last 25 centuries of Lisbon's history.

Millennium bcp, integrating a group of more than 80 Portuguese companies, signed the Manifesto "Towards COP26" of BCSD Portugal (Business Council for Sustainable Development), recognizing the importance of this conference for the global dialogue on the decarbonization of development models and for compliance with the Paris Agreement on climate.

In 2021, all the energy consumed by Millennium bcp in Portugal is 100% “green”, in a mix of energy produced by the photovoltaic plant of TagusPark and energy acquired with a certificate of renewable origin.

AWARDS

Millennium bcp was distinguished with the "Consumer Choice 2021", standing out in the attributes: "Digital Channels", "Security", "Clear Information", "Brand Credibility", "Response Capacity", "Fees Charged", " Simple and Easy-to-Understand Communication of Products ”, “ Quick Response ”and“ Good Online Service ”.

Millennium bcp was, for the 3rd consecutive year, the Bank with the highest number of PME Líder statutes attributed to SMEs.

Millennium bcp was named the "Main Bank for Companies" in Portugal for the fourth consecutive year, according to the BFIN 2021 study carried out by consultants DATA E, with a leading share of 19.6% for companies of various sizes (microbusinesses, SMEs and large companies).

BCP returned in 2021 to "The Sustainability Yearbook", a reference publication in the Sustainability area now edited by the S&P analyst based on the information gathered from companies' answers to the "Dow Jones Sustainability Indices".

Millennium bcp integrates, for the 2nd consecutive year, the Bloomberg Gender-Equality Index 2021, standing out in the implementation of practices and policies of gender equality, diversity and inclusion. At the same time, the Bank also joined the United Nations Women's Empowerment Principles, an international platform for promoting gender equality.

Millennium bcp was included in the "Europe's Climate Leaders 2021" ranking by the Financial Times and Statista, joining the group of European companies that have made the most relevant progress in reducing greenhouse gases emissions.

Millennium bcp was distinguished by Global Finance magazine as "Best Investment Bank" in Portugal in 2021.

Millennium bcp was distinguished by Global Finance magazine as the "Best Consumer Digital Bank" in Portugal in 2021.

Millennium bcp was awarded as "Best Private Bank" in Portugal by The Banker and PWM magazines, publications of the Financial Times Group specialized in financial services.

Millennium bcp was elected "Consumer's Choice" Bank in 2022 for the second consecutive year. The Bank was ranked 1st among 8 out of 10 categories evaluated in this study by independent consumers: Clear information, Responsiveness, Brand credibility, Easy-to-use digital channels, Fees charged, Simple and easy-to-understand communication of products, Speed of response and Good online service.

Millennium bcp was distinguished at the Meios & Publicidade Communication Awards, having been awarded with the film "Vai Correr Bem", in the categories "Banking, Finance and Insurance" and "Internal Communication" and with the Millennium Festival ao Largo 2020, in the category "Events".

Millennium bcp was distinguished at the 2021 Communication Efficiency Awards for the campaigns "Vai Correr Bem" and "É tempo de pôr a economia a andar, Vamos lá!".

ActivoBank was once again distinguished, for the fourth consecutive time, with the "Consumer Choice" award, in the "Digital Banking" category, with a Satisfaction Score of 85.57% and a Recommendation Score of 91.80%.

BCP Group ellected "Best Foreign Exchange Provider" in Portugal, Mozambique and Poland in 2021.

Bank Millennium was ranked third in the top 200 of the best Polish brands, according to Forbes magazine.

Bank Millennium distinguished in the FT ranking on diversity - Bank Millennium was one of the 850 companies chosen for the Financial Times "European Diversity Leaders 2022" ranking, which support and promote diversity in their organisations.

Bank Millennium was distinguished by the consultancy Bain & Company as one of the ten most digitally advanced European banks.

Bank Millennium was distinguished in the category of Best Performance in Poland, in the 2021 edition of the SRP European Awards, the most prestigious competition in the structured products sector, organized by SRP Structured Retail Products.

Bank Millennium was the best performing bank in Forbes magazine's "Climate Leaders Poland 2021" ranking, achieving second place among Polish companies in the list regarding the reduction of greenhouse gas emissions.

Bank Millennium was distinguished as "Best Bank in Poland" by Global Finance.

Bank Millennium was distinguished by Global Finance magazine as the "Best Consumer Digital Bank" in Poland in 2021.

Bank Millennium was distinguished as the best mortgage loan in Poland in the Golden Banker ranking.

Bank Millennium distinguished with the CSR Golden Leaf award, integrating a restricted group of institutions with the highest scores in terms of Corporate Social Responsibility.

Bank Millennium won second place in the "2021 Best Bank" competition, in the group of small and medium commercial banks, organized by "Gazeta Bankowa".

Millennium bim was distinguished by Global Finance magazine as the "Best Consumer Digital Bank" in Mozambique in 2021.

Millennium bim was awarded as "Best Bank" in Mozambique, by The Banker magazine of the Financial Times Group.

Millennium bim was awarded as "Best Private Bank" in Mozambique, by Global Finance magazine.

MACROECONOMIC ENVIRONMENT

The International Monetary Fund (IMF) forecasts that, after the strong recovery observed in 2021, the global GDP growth rate should slowdown in 2022, from 5.9% to 4.4%. The risks to this projection are tilted to the downside, and relate to the evolution of the pandemic, the effects of disruptions of the global supply chains, and the possibility of more restrictive monetary policy, induced by sharp increases in inflation.

In the US, the marked recovery of activity in 2021, together with an increase in commodity prices in international markets, triggered a fast increase of inflation levels, which compelled the Federal Reserve to accelerate the removal of monetary stimuli measures in the end of the year. In this context of more restrictive monetary policy, the IMF foresees that the US GDP will record more moderate growth levels in 2022 (4.0%). In China, a significative slowdown of activity is expected in 2022 (from 8.1% to 4.8%), hindered by the financial vulnerabilities of the real estate sector. In the Euro Area, the recovery of activity has been more moderate, which contributed to keeping inflationary pressures controlled, allowing the European Central Bank to progress very gradually in reducing the degree of accommodation of monetary policy. Against this background, Euribor interest rates have stayed relatively stable throughout the year.

In financial markets, the year of 2021 was characterized, on one hand, by marked valuations of the main global stock indexes, supported by the strong recovery of economic activity and, on the other hand, by the increase in long term interest rates, which followed the rise in inflation and the consequent expectations of removal of monetary stimuli measures, namely in the USA. Given this, the USD appreciated in the whole year, particularly against the Euro. The favorable macroeconomic picture and the optimistic environment that prevailed in the markets benefited credit spreads in developed economies. In emerging markets, however, the performance of several asset classes turned out less positive, against a background of more difficulties in controlling the pandemic and of idiosyncratic frailties.

In Portugal, in the fourth quarter of 2021, the GDP grew 5.8%, year-on-year, which represents an acceleration compared to the growth observed in the preceding period. This performance reflects a strong dynamism of domestic demand, stimulated by the increase in consumption, which has benefited from the improvement of the labour market and the high levels of accumulated savings by the families, together with the rebound of exports, namely concerning services. The tendency of the recovery of the Portuguese economy should proceed in 2022, supported by perspectives that consumption will remain dynamic, as well as investment, which should continue to be boosted by the execution of the Recovery and Resilience Plan, and by the rebound of tourism to levels closer to the ones seen before the pandemic, in a context of a more controlled COVID-19. Against this background, the Bank of Portugal forecasts that the Portuguese GDP will grow 5.8% in 2022, after the growth of 4.9% recorded in 2021. Regarding the inflation rate, an annual increase was registered in 2021, from -0.1% to 0.9%. In 2022, the Bank of Portugal foresees the inflation rate to be 1.8%.

In Poland, the activity accelerated in the fourth quarter, bolstered by consumption dynamism, in the context of an improving labour market. In the whole year, GDP growth was 5.7%. The strong expansion of GDP, together with inflationary pressures coming from rising commodity prices and wage increases, resulted in a significative increase of the inflation rate that, in 2021, rose to 5.2%. The central bank reinforced the restrictiveness of monetary policy in the last quarter of 2021, by raising the reference interest rate from 0.50% to 1.75%, which has contributed to the appreciation of the Zloty in the last quarter of 2021. In 2022, the expectations of strong growth, together with wage increases, should contribute to the persistence of elevated price levels.

In Mozambique, the pace of GDP expansion steepened in the third quarter (from 2.0% to 3.4%, year-on-year), boosted by the extractive industry. In the whole year, the IMF forecasts a growth of 2.5%, which represents a strong recovery after the drop of 1.2% in 2020. In 2022, the execution of natural gas projects in the Rovuma bay, and the favorable evolution of global demand should contribute to reinforce the GDP trajectory. The economic rebound has been contributing to the appreciation of the Metical, which allowed to maintain inflationary risks relatively controlled. In Angola, the economic activity started to increase, after 5 consecutive years of recession. In 2022, the IMF forecasts a GDP growth of 2.9%. In this context, the Kwanza has been appreciating.

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Euro million

	Consolidated			Activity in Portugal			International activity		
	Dec. 21	Dec. 20	Chg 21/20	Dec. 21	Dec. 20	Chg 21/20	Dec. 21	Dec. 20	Chg 21/20
INCOME STATEMENT									
Net interest income	1,588.6	1,531.7	3.7%	831.3	805.4	3.2%	757.3	726.3	4.3%
Dividends from equity instruments	0.9	4.8	-80.4%	0.1	3.9	-97.1%	0.8	0.8	-0.1%
Net fees and commission income	727.7	676.6	7.6%	514.3	481.5	6.8%	213.4	195.0	9.4%
Net trading income	86.5	140.6	-38.5%	75.6	61.5	22.9%	11.0	79.2	-86.1%
Other net operating income	(126.3)	(164.6)	23.3%	(66.1)	(72.9)	9.4%	(60.3)	(91.7)	34.3%
Equity accounted earnings	56.9	67.7	-15.9%	58.3	58.3	0.0%	(1.4)	9.4	-114.7%
Net operating revenues	**2,334.4**	**2,256.7**	**3.4%**	**1,413.6**	**1,337.7**	**5.7%**	**920.8**	**918.9**	**0.2%**
Staff costs	654.3	624.8	4.7%	436.2	395.6	10.3%	218.0	229.2	-4.9%
Other administrative costs	324.2	329.8	-1.7%	176.4	178.3	-1.1%	147.8	151.5	-2.4%
Depreciation	137.2	135.8	1.0%	80.3	76.4	5.1%	56.9	59.4	-4.3%
Operating costs	**1,115.6**	**1,090.4**	**2.3%**	**692.9**	**650.3**	**6.5%**	**422.7**	**440.1**	**-3.9%**
Operating costs excluding specific items	1,024.9	1,043.9	-1.8%	602.2	618.7	-2.7%	422.7	425.2	-0.6%
Profit before impairment and provisions	**1,218.8**	**1,166.3**	**4.5%**	**720.7**	**687.4**	**4.8%**	**498.1**	**478.9**	**4.0%**
Loans impairment (net of recoveries)	348.9	509.9	-31.6%	273.3	354.0	-22.8%	75.6	155.9	-51.5%
Other impairment and provisions	712.2	331.5	114.8%	165.4	118.8	39.2%	546.8	212.7	157.1%
Profit before income tax	**157.7**	**324.9**	**-51.5%**	**282.0**	**214.6**	**31.4%**	**(124.3)**	**110.3**	**<-200%**
Income taxes	203.6	132.1	54.2%	109.0	80.3	35.9%	94.6	51.8	82.5%
Current	81.4	108.5	-25.0%	11.1	12.5	-11.0%	70.2	96.0	-26.9%
Deferred	122.3	23.6	>200%	97.9	67.8	44.5%	24.3	(44.2)	155.1%
Income after income tax from continuing operations	**(45.9)**	**192.8**	**-123.8%**	**173.0**	**134.3**	**28.8%**	**(218.9)**	**58.5**	**<-200%**
Income arising from discontinued operations	70.9	15.5	>200%	–	–	-	70.9	15.5	>200%
Non-controlling interests	(113.1)	25.4	<-200%	0.2	(0.1)	>200%	(113.3)	25.5	<-200%
Net income	**138.1**	**183.0**	**-24.6%**	**172.8**	**134.5**	**28.5%**	**(34.7)**	**48.5**	**-171.5%**
BALANCE SHEET AND ACTIVITY INDICATORS									
Total assets	92,905	85,715	8.4%	67,216	61,212	9.8%	25,689	24,503	4.8%
Total customer funds	**90,097**	**84,492**	**6.6%**	**66,290**	**60,987**	**8.7%**	**23,806**	**23,505**	**1.3%**
Balance sheet customer funds	**71,175**	**64,764**	**9.9%**	**49,319**	**44,658**	**10.4%**	**21,856**	**20,106**	**8.7%**
Deposits and other resources from customers	69,560	63,259	10.0%	47,712	43,221	10.4%	21,848	20,038	9.0%
Debt securities	1,615	1,505	7.3%	1,606	1,437	11.8%	9	68	-87.2%
Off-balance sheet customer funds	**18,922**	**19,728**	**-4.1%**	**16,972**	**16,329**	**3.9%**	**1,950**	**3,399**	**-42.6%**
Assets under management	5,773	6,135	-5.9%	4,629	3,711	24.8%	1,143	2,424	-52.8%
Assets placed with customers	6,486	5,416	19.8%	6,076	4,878	24.6%	410	538	-23.8%
Insurance products (savings and investment)	6,663	8,177	-18.5%	6,267	7,740	-19.0%	397	437	-9.3%
Loans to customers (gross)	**58,231**	**56,048**	**3.9%**	**39,866**	**38,473**	**3.6%**	**18,365**	**17,575**	**4.5%**
Individuals	**34,071**	**32,152**	**6.0%**	**20,505**	**19,528**	**5.0%**	**13,566**	**12,624**	**7.5%**
Mortgage	28,072	26,363	6.5%	18,394	17,462	5.3%	9,678	8,901	8.7%
Personal Loans	5,999	5,789	3.6%	2,111	2,065	2.2%	3,888	3,723	4.4%
Companies	**24,160**	**23,896**	**1.1%**	**19,361**	**18,945**	**2.2%**	**4,799**	**4,951**	**-3.1%**
CREDIT QUALITY									
Total overdue loans	1,080	1,420	-24.0%	605	933	-35.1%	475	488	-2.7%
Overdue loans by more than 90 days	949	1,297	-26.8%	586	918	-36.2%	364	379	-4.1%
Overdue loans by more than 90 days / Loans to customers	1.6%	2.3%		1.5%	2.4%		2.0%	2.2%	
Total impairment (balance sheet)	1,871	2,073	-9.8%	1,286	1,488	-13.6%	585	585	-0.1%
Total impairment (balance sheet) / Loans to customers	3.2%	3.7%		3.2%	3.9%		3.2%	3.3%	
Total impairment (balance sheet) /Overdue loans by more than 90 days	197.0%	159.8%		219.5%	162.0%		160.8%	154.4%	
Non-Performing Exposures	2,752	3,295	-16.5%	1,878	2,363	-20.5%	874	932	-6.2%
Non-Performing Exposures / Loans to customers	4.7%	5.9%		4.7%	6.1%		4.8%	5.3%	
Total impairment (balance sheet) / NPE	68.0%	62.9%		68.5%	63.0%		66.9%	62.8%	
Restructured loans	2,564	2,661	-3.7%	2,069	2,174	-4.9%	495	487	1.7%
Restructured loans / Loans to customers	4.4%	4.7%		5.2%	5.7%		2.7%	2.8%	
Cost of risk (net of recoveries, in b.p.)	60	92		69	92		41	91	

BANCO COMERCIAL PORTUGUÊS

CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2021 and 2020

(Thousands of euros)

	2021	2020 (restated)
Interest and similar income	1,709,124	1,805,760
Interest expense and similar charges	(120,523)	(274,095)
NET INTEREST INCOME	1,588,601	1,531,665
Dividends from equity instruments	938	4,775
Net fees and commissions income	727,723	676,556
Net gains / (losses) from financial operations at fair value through profit or loss	(247)	(17,336)
Net gains / (losses) from foreign exchange	17,494	88,319
Net gains / (losses) from hedge accounting operations	4,286	(2,322)
Net gains / (losses) from derecognition of assets and financial liabilities at amortised cost	(3,717)	(28,081)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	68,722	100,063
Other operating income / (losses)	(128,905)	(158,261)
TOTAL OPERATING INCOME	2,274,895	2,195,378
Staff costs	654,270	624,780
Other administrative costs	324,172	329,823
Amortisations and depreciations	137,156	135,800
TOTAL OPERATING EXPENSES	1,115,598	1,090,403
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	1,159,297	1,104,975
Impairment for financial assets at amortised cost	(352,833)	(513,406)
Impairment for financial assets at fair value through other comprehensive income	(4,626)	(10,360)
Impairment for other assets	(60,882)	(79,290)
Other provisions	(642,726)	(238,292)
NET OPERATING INCOME	98,230	263,627
Share of profit of associates under the equity method	56,937	67,695
Gains / (losses) arising from sales of subsidiaries and other assets	2,570	(6,387)
NET INCOME BEFORE INCOME TAXES	157,737	324,935
Income taxes		
Current	(81,353)	(108,520)
Deferred	(122,273)	(23,570)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	(45,889)	192,845
Income arising from discontinued or discontinuing operations	70,881	15,520
NET INCOME AFTER INCOME TAXES	24,992	208,365
Net income for the year attributable to:		
Bank's Shareholders	138,082	183,012
Non-controlling interests	(113,090)	25,353
NET INCOME FOR THE YEAR	24,992	208,365
Earnings per share (in Euros)		
Basic	0.007	0.010
Diluted	0.007	0.010

BANCO COMERCIAL PORTUGUÊS

CONSOLIDATED BALANCE SHEET
AS 31 DECEMBER 2021 AND 2020

(Thousands of euros)

	2021	2020 (restated)
ASSETS		
Cash and deposits at Central Banks	7,796,299	5,303,864
Loans and advances to credit institutions repayable on demand	361,786	262,395
Financial assets at amortised cost		
Loans and advances to credit institutions	453,213	1,015,087
Loans and advances to customers	54,972,401	52,022,357
Debt securities	8,205,196	6,234,545
Financial assets at fair value through profit or loss		
Financial assets held for trading	931,485	1,031,201
Financial assets not held for trading mandatorily at fair value through profit or loss	990,938	1,315,467
Financial assets at fair value through other comprehensive income	12,890,988	12,140,392
Hedging derivatives	109,059	91,249
Investments in associated companies	462,338	434,959
Non-current assets held for sale	780,514	1,026,481
Investment property	2,870	7,909
Other tangible assets	600,721	640,825
Goodwill and intangible assets	256,213	245,954
Current tax assets	17,283	11,676
Deferred tax assets	2,688,216	2,633,790
Other assets	1,385,292	1,296,812
TOTAL ASSETS	92,904,812	85,714,963
LIABILITIES		
Financial liabilities at amortised cost		
Resources from credit institutions	8,896,074	8,898,759
Resources from customers	69,560,227	63,000,829
Non subordinated debt securities issued	2,188,363	1,388,849
Subordinated debt	1,394,780	1,405,172
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	231,241	278,851
Financial liabilities at fair value through profit or loss	1,581,778	1,599,405
Hedging derivatives	377,206	285,766
Provisions	458,744	345,341
Current tax liabilities	20,427	14,827
Deferred tax liabilities	16,932	7,242
Other liabilities	1,116,983	1,103,652
TOTAL LIABILITIES	85,842,755	78,328,693
EQUITY		
Share capital	4,725,000	4,725,000
Share premium	16,471	16,471
Other equity instruments	400,000	400,000
Legal and statutory reserves	259,528	254,464
Treasury shares	-	(40)
Reserves and retained earnings	580,304	642,397
Net income for the year attributable to Bank's Shareholders	138,082	183,012
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	6,119,385	6,221,304
Non-controlling interests	942,672	1,164,966
TOTAL EQUITY	7,062,057	7,386,270
TOTAL LIABILITIES AND EQUITY	92,904,812	85,714,963

GLOSSARY

Assets placed with customers – amounts held by customers in the context of the placement of third-party products that contribute to the recognition of commissions.

Balance sheet customer funds – deposits and other resources from customers and debt securities placed with customers.

Business Volumes - corresponds to the sum of total customer funds and loans to customers (gross).

Commercial gap – loans to customers (gross) minus on-balance sheet customer funds.

Core income - net interest income plus net fees and commissions income.

Core operating profit - net interest income plus net fees and commissions income deducted from operating costs.

Cost of risk, net (expressed in basis points) - ratio of loans impairment (P&L) accounted in the period to loans to customers at amortised cost and debt instruments at amortised cost related to credit operations before impairment at the end of the period.

Cost to core income - operating costs divided by core income.

Cost to income – operating costs divided by net operating revenues.

Coverage of non-performing exposures by impairments – loans impairments (balance sheet) divided by the stock of NPE.

Coverage of non-performing loans by impairments – loans impairments (balance sheet) divided by the stock of NPL.

Coverage of overdue loans by impairments - loans impairments (balance sheet) divided by overdue loans.

Coverage of overdue loans by more than 90 days by impairments - loans impairments (balance sheet) divided by overdue loans by more than 90 days.

Debt instruments – non-subordinated debt instruments at amortised cost and financial liabilities measured at fair value through profit or loss (debt securities and certificates).

Debt securities placed with customers - debt securities issued by the Bank and placed with customers.

Deposits and other resources from customers – resources from customers at amortised cost and customer deposits at fair value through profit or loss.

Dividends from equity instruments - dividends received from investments classified as financial assets at fair value through other comprehensive income and from financial assets held for trading.

Equity accounted earnings - results appropriated by the Group related to the consolidation of entities where, despite having some influence, the Group does not control the financial and operational policies.

Insurance products – includes unit linked saving products and retirement saving plans ("PPR", "PPE" and "PPR/E").

Loans impairment (balance sheet) – balance sheet impairment related to loans to customers at amortised cost, balance sheet impairment associated with debt instruments at amortised cost related to credit operations and fair value adjustments related to loans to customers at fair value through profit or loss.

Loans impairment (P&L) – impairment (net of reversals and net of recoveries - principal and accrual) of financial assets at amortised cost for loans to customers and for debt instruments related to credit operations.

Loans to customers (gross) – loans to customers at amortised cost before impairment, debt instruments at amortised cost associated to credit operations before impairment and loans to customers at fair value through profit or loss before fair value adjustments.

Loans to customers (net) - loans to customers at amortised cost net of impairment, debt instruments at amortised cost associated to credit operations net of impairment and balance sheet amount of loans to customers at fair value through profit or loss.

Loan to Deposits ratio (LTD) – loans to customers (net) divided by deposits and other resources from customers.

Loan to value ratio (LTV) – mortgage amount divided by the appraised value of property.

Net commissions - net fees and commissions income.

Net interest margin (NIM) - net interest income for the period as a percentage of average interest earning assets.

Net operating revenues - net interest income, dividends from equity instruments, net commissions, net trading income, other net operating income and equity accounted earnings.

Net trading income – results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortised cost and results from derecognition of financial assets measured at fair value through other comprehensive income.

Non-performing exposures (NPE) – non-performing loans and advances to customers (loans to customers at amortised cost and loans to customers at fair value through profit or loss) more than 90 days past-due or unlikely to be paid without collateral realisation, if they recognised as defaulted or impaired.

Non-performing loans (NPL) – overdue loans (loans to customers at amortised cost and loans to customers at fair value through profit or loss) more than 90 days past due including the non-overdue remaining principal of loans, i.e. portion in arrears, plus non-overdue remaining principal.

Off-balance sheet customer funds – assets under management, assets placed with customers and insurance products (savings and investment) subscribed by customers.
Operating costs - staff costs, other administrative costs and depreciation.

Other impairment and provisions – impairment (net of reversals) for loans and advances of credit institutions classified at amortised cost, impairment for financial assets (classified at fair value through other comprehensive income and at amortised cost not associated with credit operations), impairment for other assets, namely assets received as payment in kind, investments in associated companies and goodwill of subsidiaries and other provisions.

Other net income – dividends from equity instruments, net commissions, net trading income, other net operating income and equity accounted earnings.

Other net operating income – other operating income/(loss) and gains/(losses) arising from sales of subsidiaries and other assets.

Overdue loans – total outstanding amount of past due loans to customers (loans to customers at amortised cost, debt instruments at amortised cost associated to credit operations and loans to customers at fair value through profit or loss), including principal and interests.

Overdue loans by more than 90 days – total outstanding amount of past due loans to customers by more than 90 days (loans to customers at amortised cost, debt instruments at amortised cost associated to credit operations and loans to customers at fair value through profit or loss), including principal and interests.

Performing loans - loans to customers (gross) deducted from Non-performing exposures (NPE).

Profit before impairment and provisions – net operating revenues deducted from operating costs.

Resources from credit institutions – resources and other financing from Central Banks and resources from other credit institutions.

Return on average assets (Instruction from the Bank of Portugal no. 16/2004) – net income (before tax) divided by the average total assets (weighted average of the average of monthly net assets in the period).

Return on average assets (ROA) – net income (before minority interests) divided by the average total assets (weighted average of the average of monthly net assets in the period).

Return on equity (Instruction from the Bank of Portugal no. 16/2004) – net income (before tax) divided by the average attributable equity + non-controlling interests (weighted average of the average of monthly equity in the period).

Return on equity (ROE) – net income (after minority interests) divided by the average attributable equity, deducted from preference shares and other capital instruments (weighted average of the average of monthly equity in the period).

Securities portfolio - debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers and trading derivatives), financial assets at fair value through other comprehensive income and assets with repurchase agreement.

Spread - increase (in percentage points) to the index used by the Bank in loans granting or fund raising.

Total customer funds - balance sheet customer funds and off-balance sheet customer funds.

Disclaimer

The financial information in this presentation has been prepared under the scope of the International Financial Reporting Standards ("IFRS") of the BCP Group for the purposes of the preparation of the consolidated financial statements under Regulation (CE) 1606/2002, as the currently existing version.

The information in this presentation is for information purposes only and should be read in conjunction with all other information made public by the BCP Group.

The figures presented do not constitute any form of commitment by BCP regarding future earnings.

The figures for 2021 were not audited.